Plumbing pipe's potential deadlocks on standards

A TRANS-Tasman bureaucratic wrangle is threatening the export potential of one of the country's most successful recent product developments.

At the centre of the battle is a local company manufacturing a new and revolutionary plumbing system which can save the average home-owner substantial plumbing costs.

The product is the Qest-Dux plumbing system which uses a new generation flexible plastic, polybutylene, for its pipes with fittings made from rigid Celcon acetal incorporating patented "Qicktite Magic Seal" joints.

Manufactured by Dux Engineers Ltd at Lower Hutt and distributed throughout the country by Plumbers Ltd, also of Lower Hutt, the Qest-Dux plumbing system has proven an immense success on the local market.

The local companies have been granted exclusive rights to manufacture and distribute the product throughout the South Pacific and South-east Asia by its American developers, Qest International.

Response to the product from the local plumbing trade and new home owners has been "outstandingly good", according to Plumbers Ltd general manager Keith Baker, whose company has been a leader in the introduction of plastics into the local plumbing industry.

The local market has been quick to acknowledge the distinctive features of the new product which can carry both hot and cold potable water under pressure. Traditional systems rely on either copper or PVC for cold water and copper pipe for hot water.

Part of the savings for the home-owner come from the cost of materials. It also takes less time to install then traditional materials. A plumber needs no special tools for the work and joints do not need welding, hemp, sealants or solvents.

Baker said Plumbers Ltd had been extremely optimistic about the export potential of the New Zealand-made product. Negotiations had been underway to tap large Australian and South-east Asian markets.

Particular interest had come from the South Australian Housing Commission and the Commonwealth Housing Commission. Both saw real potential for widespread use of Qest-Dux plumbing systems in Australian State housing.

Trial installations in Queensland, New South Wales, Victoria and South Australian homes had generated considerable interest, Baker said. Qest-Dux came through Australian quality tests "with flying colours". Only favourable comments had been forthcoming from the Australian plumbing industry and water authorities.

But there appears to be a deadlock between the Australian and New Zealand Standards Associations which threatens plumbing product trade between the two countries.

Australia and New Zealand do not have a ratified set of standards governing the specifications and use of polybutylene piping.

The Australian Standards Association insists on "hard metric" specifications but the New Zealand Standards Association prefers "soft metric".

A hard metric measurement is one in pure metrics while soft metric measurements use the older Imperial sizes as the base for conversion.

At a recent meeting, the Australian and New Zealand Standards Associations agreed that it was desirable to produce joint standards where possible.

The question of the polybutylene standard has been the first stumbling block since the meeting.

"Both associations were in substantial agreement on all aspects of the polybutylene standards except those relating to the outside diameter of the pipes themselves," said Baker.

"It seems ridiculous to us that all Pacific Basin countries should have accepted the soft metric specifications except Australia," he said.

"It is surely in the best interests of all Pacific Basin nations to standardise. Any country being the odd-one out will stand to seriously jeopardise the export potential of its own products."

If the Australian Standards Association refused to change its stand, Baker said, New Zealand polybutylene manufacturers would have to make a difficult choice — either face a massive re-tooling operation to produce an alternative product suitable to the Australian market, or write off Australia as a market altogether.

"What makes it even more ridiculous," he said, "is the fact that our polybutylene pipes are completely compatible with Australian copper piping. If we were to go hard metric, they would not be.

"At the moment we're facing an impasse situation. It's vital for all future trans-Tasman plumbing product trade that standards be uniform. If they are not, we'll all face a major hurdle to export growth."

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

75 cents

Inside

A & P Board takes another slice of apple business

by Rae Matzengarb

THE Apple and Pear Board has cut a further slice into the apple market with its acquisition of apple juice and cider manufacturer Big Apple Products Ltd.

Brierley Investments Ltd last month sold the Havelock North-based subsidiary to the giant co-operative.

Big Apple general manager Pat McEwan said last week the company was poised for a rosy future with the board.

His company was small fry in the apple-processing business, with a market share of some 2 per cent, but becoming a new division of the board opened up wider horizons, McEwan said.

The foray into apple wine and cider is not the board's first. Around 1972 it lost money (some claim about $1.25 million) in an unsuccessful marketing venture under the Vivante label.

But McEwan said that Big Apple would remain a profit-making centre independent of the board's other activities.

The board's "present approach" was that Big Apple would retain its own marketing division, while working in conjunction with the board, he said.

Big Apple strengthens the Apple and Pear Board's near-monopoly grip on the pip fruit market.

But a Massey University marketing study some five years ago recommended that the domestic market be freed from board control.

Commissioned by the board and the New Zealand Fruitgrowers Federation at a cost of $10,000, the report strongly criticised the board's lack of performance on the local market.

It recommended the removal of controls over the sale of pip fruit within New Zealand, which would oblige the board to compete with other marketing operations.

The recommendations were rejected by the board and the Government.

Big Apple has half the country's cider business with its own cider product and as agent for the Australian Bulmer label.

In the aerated apple juice field it has won export orders to Arabia. The export market is considered to have a strong potential.

Aside from the bottled fizzy apple juice for the Arabian market and some cider for Pacific countries, the company has not been able to extend itself on its own.

The company had been approached in the past with large export orders but was lacking in resources — specially the required supplies of apples at good prices. It had had to turn them down.

"Now we will have the resources . . ." McEwan said.

The company also manufactures juice for companies such as Sanitarium.

A giant in the canning field, the Apple and Pear Marketing Board saw Big Apple's glass and plastic packaging activities as highly complementary to its own.

Big Apple needed rationalisation, the board's process products marketing manager, John McKay, said. Plant needed upgrading and — in terms of economies of scale — throughput was too low to ensure the company's viability.

Trading in a market sector outside the board's own activities, Big Apple presented new opportunities for development.

Brierley recognised it was not the right parent to advance the company's future.

The Apple and Pear Board was the specialist with the marketing and research skills required to more effectively exploit the company's potential. The board had already been doing a good deal of the company's processing work, and a takeover was simply a "natural progression", Brierley executive Bruce Hancox said.

McEwan said Big Apple products would retain their own labels and would be presented in competition with the board's Fresh-up products.

He said Big Apple would still deal through export houses such as AHI on much the same basis as before.

The takeover has drawn comments form some quarters that the board will have a virtual monopoly in the field. But McEwan pointed out that both **Rochdale Cider Co Ltd and a Nelson company provided**

Continued on Page 2

Securitibank investors retire to the wings

by Jack Hudder

IN THIS twentieth judgment in the Securitibank saga, Mr Justice Barker last Monday effectively removed the investors' consortium from centre stage.

He "restructured" the nation's biggest ever corporate litigation and left the investors' consortium to retire, broke but happy, to the wings.

In his decision, the judge ruled that Securitibank's new liquidator can neither directly take over nor fund litigation brought by the consortium against the large institutional shareholders in Securitibank.

He also stayed the proceedings commenced by the consortium (which have been whittled down from a claim for $50 million to a mere $10,000) till the liquidator commences his own proceedings against the shareholders.

But the fact that the liquidator is to proceed against the shareholders is itself a victory for the consortium.

The main object of the consortium, established in January 1977, was to ensure that action was taken against the shareholders (who are the only parties involved with resources to meet the estimated $35 million shortfall on the liquidation). To that end, the consortium has spent some $44,000 and exhausted its funds.

The consortium's proceedings, commenced in 1978, claimed $50 million on behalf of all Securitibank creditors. The judgment has ruled this to be procedurally untenable and, in anticipation of that ruling, it was reduced to a claim for $10,000 by one creditor.

The proceedings to be brought by the liquidator will be similar in nature but taken on behalf of the company itself and thus for the indirect rather than direct benefit of creditors. Those proceedings are not likely to be argued in full until 1982 at the earliest.

In the course of his latest judgment, Mr Justice Barker criticised the delays in completing a report on Securitibank on behalf of the Registrar of Companies. The report, being prepared by accountant Graeme Edgar and QC John Henry, was expected to provide a basis for some of the litigation.

It is still awaited but, according to a Companies Office spokesman, is "close to finality" and should be finished "long before the end of the year".

The judge cleans the decks of procedural debris to make way for the main bout — Page 25.

Blow to consumers

NATIONAL Party delegates to last week's party conference, when entering Auckland's Town Hall, had to walk past a painful reminder that restructuring has not cured all the ills of the import licensing system.

Outside the front door stood Warren Smith wearing a sandwich board telling all and sundry that New Zealand consumers were being ripped off by import licensing in the motor spares market.

Smith sold pistons too cheaply. And despite the service to the consumer, Trade and Industry Minister Lance Adams-Schneider took away his import licence.

Warren Smith's story on Pages 26 and 27.

Trading hours opposed

MAJOR chain stores declared their opposition to Saturday trading and will make submissions to Government for a change in policy.

OIL companies and petrol resellers have applied for an increase in the price of petrol.

MOSGIEL receivers formally accepted the Alliance Textiles bid to take over parts of the ailing company.

BALLOT papers will be considered valid provided the "clear intention" of the voter is apparent at future elections.

INSURANCE workers launched a campaign to secure a policy of job conservation from their companies and protest against the introduction of computers.

WAGE policy talks remained deadlocked and the Remuneration Act blocked progress from the FOL's point of view.

AN Air New Zealand flight from Sydney, supposed to be bound for Christchurch, landed at Auckland. An inquiry is expected.

THE DRIVERS' Federation, negotiating for a 20 per cent wage increase, was offered 11 per cent.

A WORLD surplus has decreased the price of crude oil on the international "spot market" and lowered the British petrol price by 2p a gallon.

HUNTLY power station workers imposed a ban to halt gas supplies as months of negotiations for extra holidays and pay came to a head. Stop-work meetings followed.

A REPORT to the Auckland Regional Authority planning committee meeting recommended that large LPG installations should not be located near residential or employment areas.

PRIME Minister Rob Muldoon was firmly at the helm during last week's National Party conference. He said the party was more united now than it had been for 30 years.

IAN Landon-Lane, of the Department of Trade and Industry, was appointed Ambassador to Chile and Brazil.

AMERICAN consumer advocate Ralph Nader described this country's level of official secrecy as "extremely disturbing" and condemned the Health Department for not identifying the hot pool where amoebic meningitis was found recently.

THE New Hebrides became the independent nation Vanuatu and power was officially handed over to the country's Chief Minister, Father Walter Lini.

H G Purdy was appointed the deputy general manager of the Railways.

ENERGY Ministry figures for 1979 consumption showed that Wellington householders paid less on average for electricity than in other major cities.

DIPLOMATIC relations between Britain and Saudi Arabia were warming after the row over the British television film "Death of a Princess".

BRITISH Home Secretary William Whitelaw rejected an appeal for a public inquiry into the death of New Zealander Blair Peach at the Southall riots of 1979.

THE deposed Shah of Iran died from cancer at the age of 60 in an Egyptian hospital.

SAUDI Arabia confirmed that the overthrown Ugandan dictator, Idi Amin, was in the country (on a pilgrimage to the holy places of Islam, according to Saudi officials).

CANADA — while not planning to increase them — will no longer decrease its wheat sales to the Soviet Union.

PROFESSOR John Roberts, of Victoria University, heads the Labour ticket for the six seats on the Wellington Regional Council.

The business week

Atlas Majestic Industries Ltd reported an audited trading profit of $229,000 for the year to March 31 ($312,000 last year).

Brambles Industries Ltd appointed Oliver Richter as managing director.

Carter Holt Holdings Ltd reported an audited net tax-paid profit of $9,424,757 for the year to March 31 ($5,055,589 last year). A final dividend of 9 per cent is payable on September 11.

Chenery Holdings Ltd reported an audited net tax-paid profit of $478,152 for the year to March 31 ($294,369 last year). A final dividend of 9 per cent is payable.

Ebos Dental & Surgical Supplies Ltd reported an unaudited tax-paid profit of $168,000 for the half year to June 30 ($112,000 last year). An interim dividend of 3c is payable on September 8.

General Property Trust Ltd reported an audited net profit of $6,237,691 for the half year to June 30 ($4,898,892 last year).

J Mercer Industries Ltd reported a consolidated loss of $1,577,545 for the year to February 29.

Joseph Nathan & Co Ltd recommended shareholders to accept a cash offer by Tatra Industries Ltd to buy 40 per cent of Nathans ordinary shares and secured convertible debentures.

Neil Holdings Ltd reported an unaudited net profit of $16,554 for the year to March 31 ($726,086 last year).

New Zealand Light Leathers Ltd appointed Jon Lamb to the board.

Odlina Ltd made a cash purchase of **William Crosher** and Sons Ltd, an [illegible] wholesaling company.

Pineer Development reported a net consolidated profit of $57,411,000 (Canadian dollars) for the [illegible] to June 30 ($75,012,[illegible] year).

The Prudential Building and Investment Society Canty reported an unaudited net profit of $117,653 for half year to June 30 ([illegible] same period last year).

Repco New Zealand reported an audited [illegible] profit of $911,707 for the [illegible] to June 30 ($1,036,[illegible] year). Directors recommend unchanged dividend of [illegible] cent, subject to High Court approval.

TNL Group Ltd has [illegible] its holding in Mogul Corporation Ltd to 24.9 per [illegible]

The week ahead

MONDAY: Agriculture Minister Duncan MacIntyre [illegible] Australia for talks [illegible] Government and to [illegible] ministerial conference [illegible] Australian Agricultural Council.

Trade and Industry Minister Lance Adams-Schneider [illegible] address the Automotive Components Manufacturers' Federation conference in Rotorua.

Five Japanese [illegible] scientists are here [illegible] radiata pine forestry and [illegible]

TUESDAY: [illegible] Commission inquiry [illegible] the removal of colour [illegible] form the price control [illegible]

Maori Affairs select committee looks at petition.

Marac Holdings' [illegible] general meeting.

WEDNESDAY: Lands [illegible] Agriculture select committee looks at the Apple and [illegible] Marketing Board Amendment Bill.

New Zealand Steel's [illegible] general meeting in Auckland.

THURSDAY: Fletcher Holdings' annual general meeting Auckland.

Motor Holdings' [illegible] general meeting in Otahuhu.

Otago Press and Produce annual general meeting Dunedin.

FRIDAY: Canterbury [illegible] Products' annual general meeting in Christchurch.

Wilkins and Davies Construction Company's annual general meeting in Auckland.

Continued from Page 1

competition in the cider field, and other independent operators — including Ballins-owned Pinto manufacturers — had a slice of the juice market.

McKay referred to the board's 80 per cent of the juice market and said the Big Apple's share was insignificant.

Asked about the future for the company and its 15 employees, McEwan said: "I'm sure the board has plans . . . but they have only been talked around."

The board still had unused plant in Nelson, which Big Apple could use for manufacturing sparkling apple juice, he said.

The greatest marketing potential was probably overseas, he said. But production was so labour-intensive that the marketing strategy would probably be toward the top end of the market.

Asked about production levels, McEwan said the company hoped within the next [illegible] months to double last year's earnings of around $500,000.

While New Zealand's apple production of around 9.4 million bushels is small by overseas standards, McKay pointed out that the consumer was becoming more specific in his/her taste.

"We're being forced to process a greater percentage," he said. Therefore it was important that the board develop a fully diversified processing sector.

"We see the development of Big Apple's operations in line with the whole development of the industry," he said.

How Radio Hauraki could have outrun TVNZ

by Warren Berryman

NEW Zealanders missed the chance to view at least two hours daily of the Olympic Games.

"Now it's too late," Radio Hauraki TV director Mike Wall lamented last week when recalling Hauraki's offer to the Broadcasting Corporation to provide games coverage.

Nobbled by the Asian and Pacific Broadcasting Union agreement and the IOC, TVNZ's Olympic coverage was limited to six minutes a day.

Those six minutes had to be broken down into two-minute pieces separated by at least three-hour intervals.

That meant that if TVNZ didn't bend the rules, we could see only the start, middle, or finish of the 1500-metre race which took 3½ minutes to run.

The BCNZ failed to have the rules altered to allow added coverage of the games.

It is understood TVNZ bent the rules slightly to give viewers a better look at the games.

But its games coverage resurrected the question: would the viewing public have been better served if TVNZ had accepted the offer from Radio Hauraki?

Hauraki proposed a joint deal with Melbourne's Channel 7. The terms of the proposal, giving New Zealand a total of 69 hours coverage — or four hours a day — were:

- A 13-man production team in Auckland would edit the raw film coming out of Russia;
- The estimated $380,000 profit, after paying the BCNZ $120,000 for its transmission facilities, would have been split three ways between the BCNZ, Hauraki, and the Sports Foundation.
- The joint Channel 7-Hauraki deal was negotiated direct with Moscow which would provide the raw feed of film.

Mike Wall . . . initial proposal cut.

Hauraki's new television director, Mike Wall, said Channel 7 was broadcasting four hours a day in Australia.

Channel 7 is not part of the APB agreement as is TVNZ.

Wall said that because of the small size of New Zealand's Olympic team and the number of countries boycotting the games, the initial proposal for four hours a day would have been cut to two hours, had the Hauraki offer been accepted.

Rodio Pacific fielded New Zealand's only reporter in Moscow, chief reporter, Chris Foley, who has been phoning in daily reports.

Radio New Zealand relied on BBC reporting from London.

Radio Pacific is also fed with reports from Agence France Press which continued to report while Reuters' journalists were on strike.

Journalists' Union suspends secretary

WITHIN days of the New Zealand Journalists' Union voting for a new president, secretary Mike Conway offered to resign at the union's annual meeting in September.

The resignation was tendered after the national council had been advised that the union's auditor had found a sum of money owing by Conway in the year to March 31.

Conway has presented proposals for repaying the money.

The union's national council employs Conway. It must decide whether to accept the resignation he has offered.

In the meantime, it has suspended Conway on full pay while inquiries are conducted into the NZJU's position.

Union finances have been the target of questions in the past — particularly from the Canterbury-Westland branch. The president-elect — Tony O'Brien — is a member of that branch.

The Canterbury-Westland branch — on learning of the reason behind Conway's resignation offer — met promptly and resolved he should be suspended from duty. The national council took that course of action some two days later.

Members were being advised of the situation at branch meetings later in the week.

Most national council and national executive members knew nothing of the auditor's findings until Conway presented an explanatory statement to them at a meeting two weeks ago. And some council members are known to be seeking answers as to why they weren't advised of those findings by president Peter Freedman until some two weeks after he had been alerted.

Freedman — defeated by Christchurch challenger O'Brien for the presidency in a recent ballot — has decided not to stand for election to the national council.

Conway's housing finance has become one focus of national council considerations.

On top of secured registered mortgages of at least $18,000, Conway had been granted a $12,000 unsecured loan from the union.

Freedman and Conway were influential in shaping the decision to take the union into the FOL. But a number of members are known to feel uncomfortable about that move, and point — among other things — to FOL president Jim Knox's attitude to the news media.

Knox is on record as saying: "We get no sympathy from the capitalist press . . . I don't blame the reporters for this sort of thing — I blame the editors. In fact, I think it is unfortunate that the Labour Government didn't legislate to control the press."

Whether leadership changes prompt a reconsideration of that decision became matter of speculation in some journalists' circles last week.

The week

Mystery Kiwi count in Australian mining market

by Warren Berryman

A MYSTERY man, Count Tibor Tarkanyi, has the Australian mining sharemarket perplexed. Even the seemingly omniscient *Australian Finance Review* ran a recent headline asking: "Who is Count Tarkanyi and what is he doing with Northland?"

Bearing a New Zealand passport, the count arrived in Australia carrying an oil concession document signed by the Crown Prince of Ajman — one of the United Arab Imirates on the Pirate Coast of Arabia.

The count had previously bought 19.3 per cent (about $0.5 million worth) of the shares in Northland Minerals Ltd, a small exploration company with tin leases in West Australia and two copper leases in South Australia.

Informed sources in the Australian mining industry don't fancy Northland's chances of finding much copper on its leases. But the Ajman oil concession prompted a small rise in Northland's share prices — though the market appears to be acting with caution if not scepticism.

Before rushing in like bulls, Australian investors want to know who Count Tarkanyi really is. The *Australian Financial Review* made a valiant effort to find out.

It found the Northland shares had been bought through Finbanco Corporation, a $A2 shell company registered in Sydney.

The count and British drilling engineer, Trevor Bailey, bought Northland shares in partnership, the *Financial Review* said.

The count also owns a company called Unigulf Petroleum registered in Delaware, United States. This company, the *Financial Review* said, had so low a profile as to be almost flat. But according to the count, it bought single tanker loads of oil and matched them with refineries in need of a particular grade of oil.

Oil industry sources contacted by *National Business Review* have also never heard of Unigulf.

So who is Count Tarkanyi?

The *Financial Review* described him as "wearing a promoter's regimental cream suit and his dark blond hair was parted in the middle and slicked down over both ears. His green eyes peered from behind yellow-tinted spectacles."

The paper said the count was 32, born into the wealth title and prestige of the Tarkanyi estate north of Budapest.

The *Financial Review* tried to track down the count at a London address, and also failed to contact him at a phone number he had given in Sydney.

And there its story ended in aristocratic mystery.

Last Christmas the count visited New Zealand where he was introduced to local businessmen. One looked up from his desk on introduction to the count and said: "Goodday Tony".

Count Tarkanyi is none other than Silverstream oldboy Tony Nagy, known to his school mates as being fast round the track and quick over the hurdles.

Apart from the title, the open-necked jackets, silk shirts, gold chain round the neck, and expensive clothes, he was just plain Tony to his Kiwi cobbers and Anton to the women.

The London address given to the *Financial Review* — 57 Chepstow Place — is a flat rented by the count's British lady friend, Iona Jackson.

The count is a real count. The family simplified the name on coming to New Zealand.

The count's mother, the contessa, lives in Wellington's Mt Victoria. She formerly had Nagy Fashions, a fashion clothing company.

The Tarkanyi family was almost wiped out by the Communists at the end of World War II.

The last of the Tarkanyi line emigrated to New Zealand.

This answers part of the question of who Count Tarkanyi is. But it opens a further mystery for the count's old friends in London and New Zealand — how did Tony or Anton lay his hands on anything like half a million dollars?

The count's London friends remember talk of a chickens-to-Arabia deal and that they tried to float a film called "The Fast One." But the only money-spinner they can recall were some deals in which cars were bought in one country and sold in another.

As to buying tankers of oil through Unigulf, Tony's friends recall nights in London playing Petropolis, a game like monopoly with oil dereks and sheikdoms replacing "go to jail" and such like. But they can't remember any real tankers brimming with black gold.

But counts — even Kiwi counts — might move in mysterious ways.

One of the count's lady friends remembered him fondly.

His male friends remember him as an entrepreneurial type with grandiose ideas but always a bit short of the ready cash to carry out even small ventures such as buying and selling sports cars.

According to the *Financial Review*, the count arrived in Australia from Dubai carrying a signed oil concession document from the Crown Prince of Ajman.

More circumspect, perhaps, Northland Minerals' report to the Stock Exchange said the company was involved in oil and gas and negotiations were at an advanced stage."

Northland's prices for its 16.8 million shares fluctuated between 8c and 24c each this year. They currently range from 15 to 17c, a slight gain since the mysterious count entered the picture.

Govt DP: report urges wide-ranging overhaul

by Stephen Bell

THE Auditor-General's long-awaited report on the use of computers in the public sector shows — as many critics expected — that all is not well in Government computing.

In more than 100 pages, the document makes wide-ranging proposals for revising current practice in data processing by central and local Government and educational institutions.

But it does not conclude that computing in Government circles is any more poorly administrated than private sector computing, Auditor-General Fred Shailes emphasised.

Indeed, many of the problems pointed to in the report's initial section are not only "common to all public sector organisations", but depressingly familiar to DP managers everywhere — staff shortage, inefficient project control and inadequate supervision of DP operations by senior management are universal grumbles.

Inadequate assessment of the complexity and eventual cost of projects — a common accusation levelled at the public sector — emerges prominently in the report.

At present, consideration of central Government DP proposals is very much separated from assessment of other proposals and the report recommends that it should be more closely integrated.

A co-ordinated long-term plan for central Government computing is "an essential prerequisite" which has been neglected, says the report.

The unsatisfactory nature of current project management procedures is also emphasised.

In its initial response to the report, the State Services Commission points out that the latter aspect is already being tackled with the adoption of a proprietary project management package.

A five-year plan for DP is already in place, says the SSC, but formal central Government approval of this plan would be "a worthwhile advance".

The Auditor-General raises again the often-considered question of whether the dual roles of the SSC's Computing Services Division, as policy-making body and day-to-day operator of the Government's larger computers, might be better separated.

The advisability of concentrating computing resources in a few large centres is also questioned, particularly in the light of advances in small computer technology.

The Health Department's computer system comes in for particular attention.

A decision should be made on the continued viability of the system, the Auditor-General says. The payroll part of the system especially needs "redesign or replacement", and the laboratory system should be abandoned.

The Health Department has already acted in this direction, setting up a board of review to recommend future directions for the department's DP activities.

The possibly inappropriate centralised nature of the system will be examined, says Health Minister George Gair, and independent, but co-ordinated, development of computer systems by individual hospital boards could be permitted.

There has been a virtual moratorium on such developments since the start of the centralised project in 1975.

Similar co-ordination is recommended for local government systems, which have been disparate in their development

High flying for developers

INDUSTRIAL development is bringing more than dollars and expertise to develop energy and forestry resources.

High-flying representatives arriving to negotiate or inspect sites and projects in Taranaki, Nelson, Otago and Southland are creating a demand for executive-style internal travel.

And United Pacific Airlines Ltd, an Auckland-based company with one executive-style eight-seat jet-prop aircraft, is hoping to fulfil the need.

Marketing manager Barry Everett claims the $780,000 Beechraft King that the airline bought last month is the first truly "executive-style" aircraft in the country.

Chartering is not cheap at $599 an hour in the air and from $15 an hour on the ground, but Everett is hopeful of attracting more than just overseas companies as clients.

"Executives always work better if they sleep in their own beds," he said.

On the main trunk route, the airline may find its rates save little other than inconvenience over Air New Zealand. But Everett says the real advantage is serving places such as New Plymouth and Nelson direct from Auckland.

The Beechcraft has the capability to detect emergency beacons released by ships and aircraft in distress.

At present the airline is operating on licences held by James Aviation Ltd and is exploring the possibility of offering special "beat the weather" services into Paraparaumu airport when Wellington is closed.

Comment

Editorial

IT was a good week for Ralph Nader, consumer crusader and freedom-of-information advocate, to acquaint himself with our peculiar form of open government. Two more energy price deals were struck between the state and big business (and the details kept secret). National Development Minister Bill Birch warned the public against "maliciously" delaying project development by exercising rights entrenched in the National Development Act. And Otago University economist Professor van Moeseke, in despair after having his work further denigrated by critics who say he is wrong but will not give figures to show why he is wrong, questioned the quality of the energy debate.

Fletcher consortium representatives in Auckland last Tuesday dismissed van Moeseke's analysis of aluminium smelters as so awry as to be not pertinent — but they wouldn't specify where it was off beam. Van Moeseke lamented that some members of the business community seemed concerned only to reduce discussion "to a purely abusive rather than instructive level". He emphasised that his figures were open and could be checked; but people were being asked to accept contrary claims based on secret data. By introducing advanced methods of project appraisal to New Zealand for the first time, he had hoped to keep the smelter discussion at a scientific level, he said.

Birch also attempted to rebut van Moeseke's report on the economics of aluminium smelting, a few days before signing the contract to allow Comalco a third potline. "His critical figures are so much in error that they need to be refuted now that a decision has been taken to proceed with this project," Birch said (thus showing his readiness to engage in public discussion and debate on the economic fundamentals of aluminium smelters only after his Government's decision had made the dialogue an exercise in futility). He gave four points on which he claimed van Moeseke was in error. Van Moeseke's comment on each point in the *Otago Daily Times* suggested his "errors" were far from what the Minister would have the public believe.

But it was a step up from Trade and Industry Minister Lance Adams-Schneider's reaction to van Moeseke's study back in April. He declared that a competing independent report disproved van Moeseke. His statement was followed by an admission that he had neither read the report nor the competing independent report; which turned out to have been one done for an aluminium smelting conglomerate by the Institute of Economic Research. Regional Development Minister Cooper's initial [reac]tion to van Moeseke had been to announce an urgent study to determine how much surplus electricity would be available in the South Island in the 1980s. Despite the advanced stage of negotiations with the multinationals in attempts to sell the surplus, it appeared that the Government did not know how much surplus there was.

While Ministers and consortium interests were taking the professor to task in their efforts to uphold the validity and worth of their pet projects, the thrust of van Moeseke's argument — that the aluminium schemes are of dubious economic value to the nation's best interests — came from a quarter other than Opposition politicians or environmentalists. The criticism of the Government was levelled by a development scientist at the Ministry of Works and Development, Murray Ellis, in a privately circulated paper which examines the costs associated with the plant and works out the "net export earnings" that it would contribute. The Government's plans for a second aluminium smelter were uneconomic by a wide margin, he argued. And so, it appears, at least one expert inside the civil service takes issue with Birch. Why, then, should we believe that the Minister and his Government are so right with their grand ideas whose most debatable details they will not share with us?

Yet last week Birch again demonstrated not only his dogmatic belief that he is right in thrusting on us a series of energy-intensive projects; he made clear, too, he would brook no public effort to thwart the process of bringing to reality his notions of what is best for New Zealand. "If people are going to use the provisions in the National Development Act to simply delay the building of projects and use them maliciously to delay progress, then there would be no recourse other than for the Government to pass special legislation," he said.

Birch's warning coincided with widespread rumours in the capital that Alberta Gas and Chemicals chiefs are concerned that the fast-track provisions whose effectiveness their project would be establishing were not fast enough. With Petrocorp they are lined up to take the maiden trip on the fast track for their $130 million, 1200-tonne-a-day methanol plant in Taranaki. The ease with which the consortium's plans can be slid through the streamlined procedures will determine just how quickly the plant can be built.

When he announced that the Cabinet had decided in favour of the Petrocorp scheme, Prime Minister Muldoon said it would be able to get its project off the ground much sooner than the competing BP-Challenge-Fletchers consortium scheme. Speed, obviously, was of the essence. But he described questions on this as "destructive" and said it was not possible to give a precise production date in view of the lead time of several years. He refused to give an estimate to within one year or even two years on when he expected the plant to be in production. Birch, in contrast, said he expected the plant would come on stream in mid-1983. And inevitably, the Petrocorp board decided in April to apply for the fast-track treatment.

But while Birch and Muldoon both have said many times it was important for the methanol plant to be built as quickly as possible, there appear to have been snags.

On Morning Report the other day, Birch denied that Alberta Gas and Chemicals had expressed concern in the development programme. He said there were a number of important contracts to be decided, but "the time taken to complete them is not holding up the development". He did concede that the contracts had "taken longer to come together than we expected". But according to Birch, there had been no delays that would put back the plant's commissioning.

Alberta Gas and Chemicals executives were in Wellington last week to resolve some of the delays. Approval for the site near New Plymouth, a marketing contract for the sale of methanol to Alberta Gas, and a gas price contract with the Government were three key problems to be resolved in their meeting with Petrocorp and Government officials. And last Thursday, a gas price and supply agreement (confidential) were reached.

That contract ended a four-month delay and enables the company to determine a market price for the methanol, which will allow financiers to assess the viability of the project.

Now the project faces the public hurdles — and Birch would do well not to make it easier by lowering them. He should be reminded that the National Development Act was given its present shape only after widespread criticism prompted its amendment.

He might recall what he said when the Bill was given its second reading. The Bill "aims to have major projects fully considered in public without undue haste …" he said. It was not intended to alter existing rights and responsibilities … it provided that some decisions now made behind closed doors were made in the open with the opportunity of public participation. Consents such as planning permission, water rights and approval to use resources were crucial to the question of whether the work went ahead or not "and raise important social, economic and environmental issues". All those who would have the right to appear or be represented at any hearing under the existing legislation would enjoy the same rights under the National Development Bill.

Decisions on projects envisaged by the legislation were "vitally important ones", Birch said then. "The decisions must be carefully and thoughtfully made and only after the widest consultation with and participation by all interested parties". We'll buy that.

— Bob Edlin

Without word of a lie

The power of official silence

WELLINGTON's Municipal Electricity Department had had cause in recent weeks to cut off supplies of power to domestic hot-water systems at various periods. And customers who have not got the response they expected when turning on their hot taps have been a bit piqued at the MED's flexing of its ripple-control muscle without any public announcement.

One irate citizen — her daily nappy-washing routine upset by the curbs on her water heating — phoned the MED to find out about the cooling of relations between customer and supplier. Among other things, she was told it was not part of official procedure to advise the public of its ripple-control intentions. Which, of course, suggests a reluctance to let the public know that electricity supplies may not be quite as ample as grandiose aluminium schemes suggest they are.

The drying up of information supplies

WINE writers who play the game with the Wine Institute are rewarded for their favourable stories with cases of wine when they visit the vineyards.

Not so for *National Business Review's* wine writer, Frank Thorpy. Since Thorpy took a critical glance at the "water into wine miracle" he has not been invited to taste new wines at Wine Institute functions. Nor has he been receiving any of the PR bumph the institute puts out for wine writers.

Thorpy has been excommunicated.

It's not that he lacks the credentials. A *bon vivant*, gourmet, wine buff, and member of the diplomatic community, Thorpy has more than passing acquaintance with domestic and foreign wines. He has also written *Wine in New Zealand*, now a collector's item, which sells for about $20 a copy — when a copy can be found in rare book shops.

Thorpy effectively had diplomatic relations with the Wine Institute broken off when he wrote a two-page profile on Wine Institute member Frank Yukich, of Penfolds. Yukich is on the outer with other institute members for his stand on the watered wine question.

Institute director Terry Dunleavy summed up Thorpy's Yukich profile as "puffery" — a curious attitude for one charged with building up a favourable profile for his members and the industry. Yukich contributes a quarter of Dunleavy's salary through his contribution to the Wine Institute.

Dunleavy was previously public relations man for Montana Wines. And the attitude he expresses towards Yukich is not dissimilar to that of his past employers.

Wine writers take heed. If you want to remain on the freebee list, write nice things only about the wine industry. And don't include any praise for the odd man out.

Fund may be feeble — but it's not dead

REMEMBER JBL, the multi-million-dollar bust of yesteryear? It's still ticking over.

And remember Fund of New Zealand, the $6 million property-based unit trust that everybody wanted to get their money out of but couldn't because they were locked in? Like JBL, Fund of New Zealand is still ticking over and the unit-holders are still locked in as they have been since 1976.

JBL and Fund of New Zealand are being managed by Auckland accountant Doug Hazard.

Hazard recently wrote a letter to Fund of New Zealand unit holders hinting that he might ask them for more money to keep their funds alive. He wrote enthusiastically about Chartwell, a Hamilton-based shopping complex, Fund of New Zealand's biggest subsidiary, long since insolvent.

Some fund members wanted to sell this white elephant — even at a loss — as far back as 1975. But the fund's management company, Fund of New Zealand Services, argued that the investment should be retained — which of course kept the fund alive, if only just.

Rebel unit-holders forced a change in the management of Fund of New Zealand Services. They were pleased when Doug Hazard was appointed chairman.

But the unit-holders haven't seen one penny's interest on their investment since 1975 — much less a hope of getting any of their capital back.

But the fund is still ticking over, at least paying salaries to those who manage it if nothing to those whose money is at stake.

Flying lessons from Brazil

ACCORDING to travel industry gossip, it's a toss-up whether that 5 per cent travel tax announced in the Budget will help subsidise Air New Zealand's $20 million losses through the Consolidated Fund or if the added impost will discourage domestic travel to a point where the Government-owned airline can't subsidise its external operation by gouging local travellers any further.

One thing is becoming clear. Air New Zealand can't keep pointing the accusing finger at external events like the DC-10 grounding to divert public attention from problems at home such as feather-bedding, excess staffing, industrial relations problems and promotional disasters like the Alan Wicker campaign.

Varig, the Brazilian airline, runs 51 planes — among them, DC10s. Varig made a $51 million profit this year. Air New Zealand will make a $20 million loss.

Varig resists political interference. Air New Zealand is propelled on hot air blowing from the Beehive.

Varig is 85 per cent owned by its staff. Air New Zealand is owned by the Government. Could be that airlines run as a political exercise don't run as efficiently as those run by parties with a financial stake.

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Brockie's view

Comment

CNG programme poised to take major leap forward

by Dr Garth S Harris

CNG is the only alternative transport fuel which is currently available in abundant quantities. But it is available only in some North Island towns.

The speed with which CNG is implemented depends on factors such as training of installers, setting of standards of installation, writing of town planning guidelines for refuelling stations, investigation of ways to accurately meter CNG into vehicles, pricing of CNG, and so on.

In the first year, since the Government announced a target of 150,000 vehicles, more than 7000 conversion kits have been sold, including 2000 to Government departments. If the target is to be met, more than 15,000 additional conversions need to be undertaken over the next 12 months.

The number of vehicles converted is surprising in view of the very considerable difficulties which occurred in relation to approval of Italian equipment for use in New Zealand.

Many regulatory and legislative aspects have now been settled, or shortly will be. Some refuelling stations have just commenced operation, while many more will come on-line over the next few months.

The CNG programme is now poised to take a major leap forward, and many fleet vehicles will be converted over the next year.

A year ago, petrol was retailing at 31.6c a litre while CNG plus road tax was estimated to cost about 20c a litre equivalent from a hypothetical public refuelling station.

Petrol has been at 52c a litre while CNG was actually selling at 25-30c a litre equivalent.

Thus there is more incentive for conversion to CNG, particularly for vehicles which have high kilometreage in the city.

What are the economics for the private motorist? A car, which on average travels 12,000 km/year in urban running and uses fuel at 10 litre/100 km, will consume 1200 litres of petrol. A CNG conversion costing $1200 will enable the motorist to save $324 a year in fuel costs at 25c a litre for CNG plus road user charges of $6.01 per 1000 km; and 52c a litre for petrol.

It will require five years to achieve pay back, a figure which most motorists would consider to be too long. Motorists who use more fuel (either through greater urban travel or by use of less fuel efficient vehicles) will achieve a pay back in a shorter period. Likewise, tax advantages to companies mean that pay back is achieved in a shorter period and this is borne out by the very great interest in CNG amongst fleet owners.

In the case of taxis, for instance, pay back can be achieved in well under a year. On the other hand, motorists who travel small distances annually could justify conversion only if they were very concerned about security of fuel supply for their cars.

Fleet owners will probably make up the bulk of conversions to the end of 1981, by which time a fair proportion of fleets will be converted. For the target of 150,000 vehicles to be achieved by 1985, some additional incentives may need to be offered to private motorists. An example of an incentive would be a reduction in the price of CNG.

A 0.5c litre rise in petrol tax (1 percent in petrol price) would yield $15 million a year, sufficient to halve the annual fuel bill for 100,000 vehicles converted to CNG — that is, a car with annual distance travelled of 12,000 km, fuel economy 10 litre/100 km, would pay only $222 for CNG plus road-user charges, compared with $624 for petrol or an attractive pay back of three years. Even if the tax were increased in the North Island only, there would be ample funds to greatly increase the number of vehicles converted.

The target of 150,000 vehicles is an arbitrary figure. Nobody can, with any assurance, say that the target is or is not too high, even taking into account one year of implementation.

It is not impossible that the target could be at least doubled provided that sufficient incentives were given. Energy Minister Bill Birch, in his article in *National Business Review*, June 23, adopts a flexible approach to the 150,000 vehicle target. However, it is unlikely that in the normal course of events a figure of 500,000 conversions by 1985 could be exceeded because of the very great logistic problems, particularly in relation to the setting up of refuelling stations and supplying gas to areas not reticulated. This figure is about two-thirds of all petrol-engined vehicles which are at present close to the natural gas pipeline.

The approximate foreign exchange content of the conversion kit plus the gas compressor is $700 a vehicle of which $200-$300 relates to the conversion kit. The foreign exchange component of petrol cost at the moment is about 25c a litre.

For the motorists who annually switched 1200 litres of petrol to CNG it would take 2.3 years to pay back the foreign exchange. With future rises in petrol price, this pay back would be achieved in a shorter period. After pay back, substantial foreign exchange savings will occur.

The programme for indigenous transport fuel recommended by Liquid Fuels Trust Board, and largely adopted by Government, has the following major components:

- 120,000 vehicles converted to use CNG or LPG;
- Manufacture of 530,000 tonnes/year of petrol by the Mobil process;
- Use of condensate from the Maui field for diesel and petrol production.

The above programme will supply approximately 50 per cent of transport fuel. One of the key elements is condensate production. The greater the use of Maui gas, (either in transport or elsewhere), the greater the production of condensate (and LPG).

Condensate is a light crude oil which is refined to produce petrol and diesel. Thus the use of natural gas to manufacture chemical methanol not only means we can sell overseas a valuable chemical product, but in addition more condensate is produced.

It will take all the condensate flow generated from gas used for premium uses, electricity generation, the stand alone methanol plant and the synthetic gasoline plant, plus the ambitious target of 150,000 cars on CNG by 1985, plus the output of the synthetic gasoline plant and planned LPG production to achieve a 50 per cent self-sufficiency in transport fuels in the middle 1980s.

Conversion of 150,000 or even a larger number of vehicles to CNG is quite compatible with the above plan which still requires substantial imports of petrol. Only when CNG use starts to cause the expanded refinery to operate less than maximum capacity is there any great conflict between the various production procedures for indigenous transport fuel.

It should also be noted that methanol or ethanol used in low blends with petrol, or methanol or ethanol used in high blends with petrol, can be seen as an attack on the remaining 50 per cent transport fuel imports. These alternatives should, at a modest level of implementation, be perfectly compatible with a major CNG implementation programme.

In conclusion, it is highly desirable that New Zealand presses forward on a fairly wide range of technologies for the production of indigenous transport fuel, some of which will be more successful than others. The decisions made to date by Government are all complementary and should, if carried through, result in 50 per cent of our transport fuel coming from indigenous sources by the mid-1980s. For strategic reasons alone the remaining 50 per cent is of some concern.

An increase in rate of implementation of CNG is well warranted, could at this stage be supported logistically, and would reduce the risk of disruption to transport. An increase in the target figure of 150,000 CNG conversions by 1985 is compatible with decisions already made and can be supported on strategic grounds. Further incentives to private motorists, however, will probably be required if any substantial target is to be met.

Dr Garth S Harris is executive officer of the New Zealand Energy Research and Development Committee

Letters

Too much of a good thing

SOME literary licence now and then is relished by the best of people.

I suggest however that too much of a good thing can spoil the ship for a halfpenny of tar as the following examples (*NBR* July 7) show.

- IDC uncorks wine plans
- Local wine industry thrown into ferment . . .
- No branches in the garden of Eden
- Growers putting squeeze on citrus authority
- Beefing up on pork
- Entrepreneur levers into cut throat razor market!

I must admit I cracked up over the "Chocker Fokker Grounds Ocker" and trust the egg does not end up on my face over the above observations.

C H Upchurch
Aucklnnd

The IFA papers

YOUR article, "Government's airworthiness indifference shocks engineers", (*NBR*, July 28) is way off beam and one wonders at the author's motivation.

The Civil Aviation Division enjoys good working relationships with SLAET. We have consistently advised it that we support many of the objectives of IFA and see a role for it in international airworthiness. However, we have many calls on our limited resources and do not have the overseas travel funds available to participate effectively in the affairs of another international organisation such as IFA, much as our technical officers might benefit from the opportunity.

We are already committed to the International Civil Aviation Organisation (ICAO), to whose convention New Zealand is a signatory. Our airworthiness policy stems from that body which provides the major world forum for civil aviation.

Note that IFA, like similar international bodies, holds observer status at ICAO. Accordingly we consider it unnecessary to join IFA as well as ICAO, but we will listen to them, assist them where possible, and if we so decide support particular policies that they may promote in ICAO.

The 10 percent of IFA which comprises government authorities actually numbers five — the United Kingdom, Hong Kong, Tanzania, Iraq and the Philippines, hardly a wide representation of world authorities when one considers that ICAO has 145 member States.

We declined Mr Keen's offer of further papers largely because they were oriented towards economics rather than safety. We fully appreciate the importance of economics, but the particular topics were more relevant to operators than to authorities. We had already received many other papers arising from the last IFA meeting in Tokyo, including an interesting summary of the discussion on international aspects of aircraft maintenance engineer licensing.

Your author is apparently unaware that at that meeting IFA changed its stance on the concept of the international licence. Although this had been one of IFA's early prime objectives it has now been effectively discarded as an impracticable pipe dream, at least in the immediately foreseeable future. Instead IFA has adopted a more pragmatic approach aimed at increasing international airworthiness acceptance and co-operation without jeopardising existing national airworthiness standards or responsibilities. We are in full agreement with this revised approach.

Mr Keen, who by the way was not present at SLAET's annual meeting, may be disappointed that we decline to join IFA, but I am surprised at the pettiness of his comments which responsible engineers will recognise as quite unjustified.

Our airworthiness standards are among the world's highest, due in no small way to the co-operation and dedication of the great body of our licensed engineers.

T R Pike
Acting Director of Civil Aviation
Ministry of Transport

OUR point was that you were offered the papers, but rejected the offer without apparently giving any valid reason. That left the impression you were disinterested. We felt that, purely as a courtesy, you might have accepted the papers whether you intended reading them or not. — Editor.

Conference compared

I REFER to "Producers hold trump up their collective sleeves" (*NBR* July 7). I note the following sentence: "ABC is seeking to join the conferences serving Australia, but as yet has been rejected."

As chairman of the Australian/Europe Conference, (as well as the New Zealand/Europe Conference), I believe this statement is untrue.

ABC has not made any application to join the Australian Conference and I think it is unlikely they will do so. Conferences have always maintained that it is a *sine qua non* of membership that common rates of freight should be applied by all members.

ABC, with its much inferior speeds and routings, could scarcely expect to get any cargo at all if it charged conference rates of freight. Its only attraction to any shipper is cut rates of freight, since its service does not compare with that offered by the conference.

A J Bott
Chairman of The NZ Europe Shipping Association and the NZ/UK Conference
London

Changing attitudes

IN answer to Mr Jukes letter (*NBR*, July 28), I merely deplore the increasing attitude to our society that everything and everyone is bad, that there are "feds" under the bed and corruptions, everywhere we turn.

If such a climate continues we will all become part of a "sickness" of mistrust and deception.

People will be afraid to believe the best of each other thus encouraging the worst. Where issues such as the Lands Board arise, judgment will be passed before all the facts are known — only the sensationalism of a matter will surface. Objectivity will go out the window.

You may be surprised about the matter of ordinary New Zealanders who seldom say much but see the realities of political shennanigans today, as never before.

Has it occurred to you that Venn Young has told the truth and did not in fact actually set about to do anything honest. A mere question of judgment may in fact be the truth.

If so — do we then say he or anyone can't afford to make a mistake? Rubbish — we all make mistakes — are you too so perfect? If you are — then bless you my son. If not — then let's get a bit of balance back into our society — quickly.

Let's not judge and convict anyone until all the facts are known and judgments are arrived at in a climate of balance, objectivity, impartiality and real integrity. This will never be achieved in an atmosphere of public crucifixion and character assassination.

Someone must always speak for the other side. That's fundamental to democracy itself. If we all remain silent and get on the band-wagon of scandal and public dirty linen washing what sort of a society are you encouraging for our children tomorrow?

Justice must be seen to be done — for everyone. I may be flying in the face of public opinion. If that's so — sad — because my motives move me to continue to do so and I'm proud to do so, at that.

Faye Torrans
PR consultant
Auckland

Politics

The saga of Susan Baker's superb cheese scones

by Colin Jomes

THE Maoists seem to have taken over the National Party. After the two giant free enterprise steps forward of last year, this year one step backwards to realism.

The Nationalists are starting to get ready for the election. Gradualism is back in vogue. Revolution is for the back streets of Birkenhead, the parlours of Remuera.

Don't get me wrong. Out there in twin-garage-land, they are as hardline about their birthright to freedom as they have ever been.

If you had strayed into the agriculture discussion group on the Sunday, you would have heard them baying for the blood of the regulators and planners as vigorously as they were doing last year — or for that matter in May of this year at their regional conferences.

And they whipped through remits —

- Demanding action on previous years' remits boosting private enterprise and desocialisation and reducing state spending and taxes;
- Demanding more competition and a review of import licensing;
- Letting private enterprise introduce FM radio;
- Proposing a shift of service and trading activities from the public to the private sector, so reducing state spending below 30 per cent of gross national product;
- Calling for a review of "all trade, professional and commercial licensing, with a view to dismantling as many licensing requirements as possible";
- Aimed at switching tax from direct to indirect forms.

Great stuff. All in the finest of this new fashion for restructuring. Only bold innovations will give a real chance of victory next year, the line goes.

But some people have been restructured already. They have found out it hurts.

There were the tobacco growers bleating (to the disgust of the pastoral farmers who thought they were letting down the side).

There were the people from the boat-building electorates bleating about lost jobs and lost votes.

They did not get far. Juggernauts don't swerve too easily, nor is it easy to stop them.

But the brakes are being applied, ever so gently.

The man who did it was Brian Talboys.

Talboys has not been much involved in the back-to-basics debate. He has been elevated to a lofty eminence, beyond the reach of the slings and arrows of the massed ranks of free enterprise.

But he came down from Mount Olympus at the conference and with power and skill swept delegates breathlessly away with the rhetoric of gradualism.

"When we talk about restructuring," he said, "what we are saying is that there is a need for us to concentrate our resources where we do the job best.

"It does not mean the removal of all protection on industry." That would bring chaos.

"It is not simply an economic exercise. It is also a social exercise.

"There are thousands of jobs for people at stake.

"We must approach this exercise gradually. That's the essence of conservatism — gradualism."

In print the words do not do the speech justice. It was a powerful address — the most powerful I have ever heard from the man (is he now thinking of staying on?). And it had a profound effect on the delegates.

Suddenly they were all conservatives again. The radicalism of the last 18 months put aside in the heat of an electric moment — the most spontaneous standing ovation of the conference.

Others took it up. Ian McLean a few days before on television had pleaded the cause of moderation. The following morning, Geoff Thompson told delegates he went along with Talboys message.

As one MP put it to me: "We've laid the motorway; now we are putting up the signposts."

The conference itself rejected the logic of the state-hands-off philosophy on the issue of unemployment among the young. Remnants of social conscience coalesced into approval of taxpayer-financed training schemes.

Contradictions? A party at philosophical odds with itself?

In a sense, yes. Transitions tend to do that to parties.

But it is probably better described as a tension between (to borrow the language of hegelian dialectic that marxists use) the "thesis" of 1960s gradualism and the "antithesis" of radical freeing up of the economy.

What this conference may mark is the first trace of the emergence of a "synthesis" of the two strands, the final form of which we can only speculate on at this stage.

President George Chapman invited delegates in a sense to think in terms of a synthesis when he talked to Young Nationals.

There he posed a series of questions about what sort of society they might like in 1990 and urged them to consider the policy implications of such a goal.

That is not conservatism. Usually it is the socialists, social democrats and other assorted reformers who set political discussion in such a framework.

Conservatives abhor change, though preferring to minimise it rather than to attempt to reverse it.

Chapman was clearly expecting, welcoming and encouraging change.

But because the party is some way yet from developing a synthesis, it seems to be travelling down two parallel, but never-touching tracks.

Should not this be pulling the party apart? Yes, according to the logic that afflicts the Labour Party.

That it is not doing so (yet?) in the National Party is partly due to the much more skilled management of top Nat brass.

But the "new" Prime Minister probably has a lot to do with it, too.

Over the past six months the Government has taken a number of decisions that have headed it down the track the party wants mapped out.

This has had a twofold effect. Remits thought up in living rooms and village halls in February at branch annual meetings had lost their urgency and in some cases their relevance by the time they got to Auckland in July.

One remit wanted the film industry delicensed, for instance, a demand met in a Speech from the Throne promise back in May. [illegible]

The second effect has been a mellowing of the Prime Minister.

Having long resisted dipping his toe in the water, he has at last been pushed in — and seems to be finding it not so bad after all.

MPs insist he has been much more relaxed over the past two months or so — since about the time the move to Saturday shop trading was announced.

Delegates to the conference were suddenly treated to the same new benign, relaxed figure: present on the platform just about throughout the main sessions, sparking at the question-and-answer session for junior ministers (the very ministers who have been his scourge), in rollicking good humour during his own speech, even one afternoon teatime, kissing some of the older women delegates on the cheek in uncharacteristic smiling friendliness.

Gone was the defensive, tense figure of last year. In was ushered the magnanimous assurance the party would be listened to henceforth.

And he was saying more of the right things, more of the things delegates wanted to hear.

But not too much. Spots do not change overnight (or perhaps ever, the still sizable contingent of anti-muldoonists continued sceptically to mutter).

Much of his keynote speech was fragmented holyoakism, punchier but just as disjointed.

One minister was heard to remark suddenly about three-quarters of the way through: "Point of order, Mr Chairman, new material."

The minister concerned is one of the Prime Minister's most loyal defenders in public and most remorseless questioners in private.

That in itself says something about the party's relationship with him. Recognition of the change; but a residual scepticism as to how deep it has gone.

This partly underlay the abortive move to urge older ministers (only some, not, for instance Talboys or Duncan MacIntyre) to step aside.

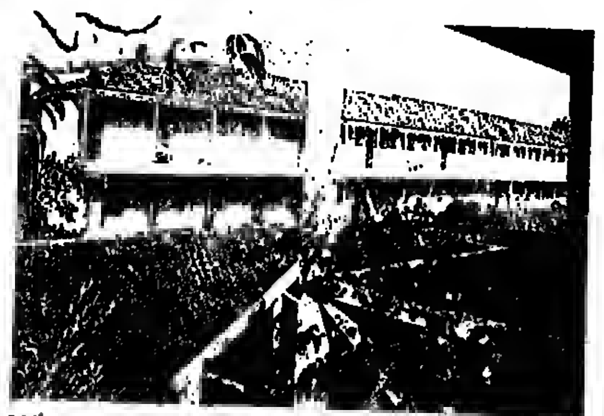
The sting having gone out of the economic debate, those who argue for a bold new image to fight the election seemed to concentrate their impatience on the oldies who they see as being upheld by the Prime Minister against Chapman's executive's new broom.

For all they got (they were told, in the end, to deal with it in their electorates, if they must, though they did get their message across), they might have better spent their time improving the quality of the catering.

Weak coffee and hard factory-made biscuits is just not up to past National standards — especially for those trying to breakfast on the morning tea after an earnest small-hours hotel-room session on the finer points of political theory (or other equally appropriate matters).

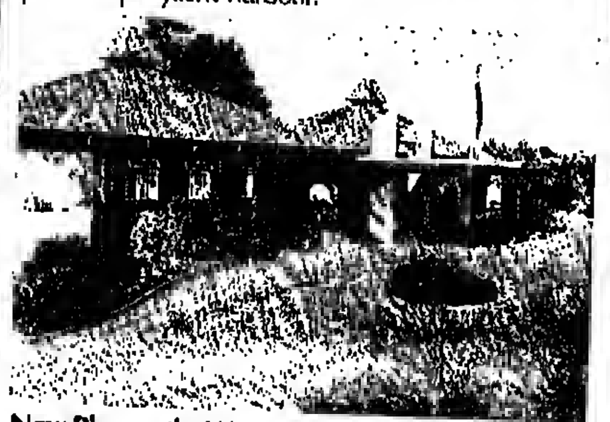
But they took pity on me. The story of the Wairarapa Labour Party apples had got round.

On Day Three Susan Baker, wife of the Auckland divisional chairman, baked me a plateful of superb cheese scones. All is [illegible]



Whangarei: Settlers Motor Hotel A re-creation of colonial architecture and hospitality. Just five minutes from the city, adjacent to Whangarei's picturesque yacht harbour.

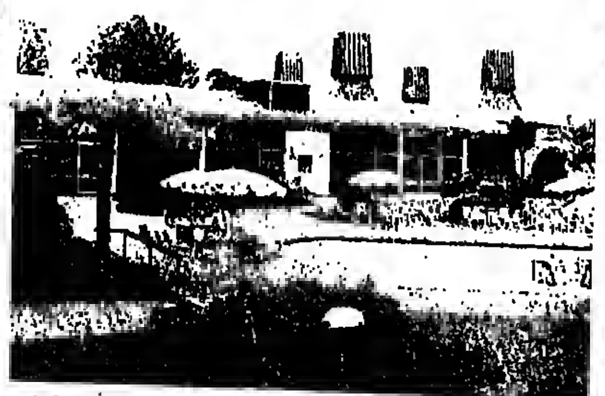
Auckland: Poenamo Motor Hotel 10 minutes from the heart of Auckland, on the North Shore. Designed around a beautiful swimming pool courtyard.



New Plymouth: Westown Motor Hotel Against a magnificent backdrop of Mt. Egmont, a motor hotel of international standard, located only 2 kilometres from the city centre.

Auckland: Mon Desir Motor Hotel Set amidst beautiful native Pohutukawa trees on the North Shore's Takapuna Beach, just 10 minutes from Auckland City.

Taupo: Suncourt Motor Hotel Beside picturesque Lake Taupo. Our newest hotel to the Group. The perfect central business stopover and ideal holiday stay.



Gisborne: Sandown Park Motor Hotel A luxury hotel set amidst beautiful trees and lawns on the sunny East Coast. Five minutes from the city.

Palmerston North: Awapuni Motor Hotel A few minutes from the city centre and the racecourse. An ideal location for the visiting businessman or holidaymaker.

Feeling the changing pulse of housing needs

Economics Correspondent

THE housing sector is in decline. In 1975 over 33,000 building permits were issued for new dwellings. This number dropped to less than 14,000 last financial year.

Building permits authorising construction of 1073 new dwellings were issued in June this year. This is a decrease of over 8 per cent of the 1168 permits issued in June last year. Of these permits issued, a greater proportion are for alterations rather than for new dwellings.

In July, the National Housing Commission's annual housing seminar had a different emphasis from previous years. Instead of analysing methods of financing low income families into houses, speakers concentrated on methods of evaluating whether housing needs are being met.

There was agreement that traditional analysis of housing need had failed to take account of regional variation and changing household patterns with a tendency for more single person households. Economic conditions were trapping people into housing they did not want to live in.

David Thorns of the University of Canterbury noted that "housing is unique among consumer goods as it affects both the physical and emotional wellbeing of individuals. For most people a house is the single most important commodity purchased. In New Zealand, households spend on average nearly one quarter of their income on housing services."

"Housing is a durable product, so inadequacies in planning and design remain with us for many decades. And it is important to see beyond the house to the context in which it is placed and the kind of physical and social environments that have been created by urban and suburban development," he said.

Housing provides shelter, a form of investment and wealth, it represents status and provides psyche-gratification (the opportunity for the expression of individualism and independence and an outlet for creative energy).

The access of different groups to housing dependa on price constraints and the housebuyer's economie capacity. "Current changes in housing finance policy are likely to have considerable impact upon the access of particular groups to owner-occupation. Those with fewer alternative options due to their relatively low income and capital accumulation potential are likely to be affected most by a contraction of Housing Corporation mortgage activity."

Judith Davey of the Urban Research Associates said that "the capacity to buy is being reduced as the costs of house purchase-prices, but perhaps more significantly, repayments on mortgages — rise faster than the increase in average incomes. Home-ownership is becoming a less attainable goal for many.

The National Housing Commission has identified a growing group of "housing deprived citizens"—those households falling outside the criteria for Government assistance, but without the means to compete successfully for housing finance on the open market.

Home-ownership is becoming a less-attainable goal but it might be becoming a less-attractive goal for some. The costs of renting have not risen at the same rate as the costs of house purchase, relative to incomes. These financial considerations in combination with social change could explain the results of Thoms' study that show renting has become a normal part of the life-cycle of individuals here.

There is a tendency to rent at an earlier age and for a longer period.

Davey identified seven types of special housing needs — people living alone, unrelated groups, large families, ethnic minorities, solo parent families, people in need of transitional housing and housing for handicapped people.

Single person households accounted for 16 per cent of total households at the 1976 Census, an increase of one-third over the number in the 1971 Census. The majority are elderly people, but there are also a number of working age adults who are unmarried, widowed, divorced or separated. Growth in owner-occupier flats has helped to fulfill their housing needs.

The needs of many with special housing needs could best be met in inner-city areas. Although the expansion of the central business district squeezed out inner-city housing. Davey notes recent attempts to re-invigorate inner-city housing.

She cautioned that inner-city housing achemes should consider the types of people seeking accommodation. "A balance must be struck between ownership and rental accommodation and between public and private rental provision."

Judith Johnston, a visiting scholar from Massachusetts Institute of Technology argued that "methods which have relied on population growth predictions and estimates of housing targets to monitor changing housing needs have failed to respond to changes in social and economic variables such as increased emigration, and are often insensitive to the critical variables that influence need, such as the growing desire to form independent households."

The main thrust of Johnston's paper was to consider questions such as what does the term "housing need" really reflect; what variables affect or influence housing needs; what are the implications of changes in ecomonic, social and demographic conditions on policy planning?

Johnston recommended a philosophical change, a methodological change and a change in the sources of information used for assessing housing needs. She suggested evaluation from the bottom up. In other words, people who live in houaes should be consulted and their evaluation of housing conditions should be aggregated into a national policy.

The assessment of housing needa is a political activity and is determined by national estimates which are then disaggregated to regional totals. Regional differences are often masked by national data.

Johnston's field work showed the gap between national and regional perceptions about housing. Local and regional authorities do not recognise any formal responsibility for housing and would not accept responsibility under present conditions. The collection and analysis of data are seen as a central Government exercise and a social distance exists between the levels of Government, which act to impede the development of any regional base to the assessment of housing needs.

A down turn in housing output has been the inevitable consequence of the contraction in economic activity. Outward migration has further contributed to decreased housing demand.

A turn around in economic activity or the migration trend could increase the demand for new housing and stability in the housing sector in the next couple of years. Research by the Housing Commission provides information so that any new investment in the housing sector can meet changing housing needs.

In line with the Government's strengthening of regional government, a devolution of housing policy-making on a regional level would be desirable. Local Government could design housing policies using funds by regional taxation or secured from Government sources to respond more immediately to market demand.

Local attractions from the American attitude

A STUDY of American attitudes to a holiday in New Zealand has thrown up intriguing information.

The Tourist and Publicity Department and Air New Zealand commiasioned the well-known New York researeh firm, Louia Harris and Associates, to prepare *A Survey of the Attitudes and Information Needs of Potential American Travellers to New Zealand.*

The survey was carried out in two parts earlier thia year. The "first phase" conaisted of "20 semi-struetured interviews with potential travellers to New Zealand, whose names were provided by the New Zealand Touriat and Publicity Department". They were conducted in San Franciseo, Los Angeles, San Diego, Seattle, Chicago and New York City.

The second part of the study consisted of "309 telephone interviews with potential American visitors. The interviews averaged about 20 minutes in length and were conducted throughout the continental United States in early February, 1980."

The "motivations to visit New Zealand" lists features which are presently most attractive to potential visitors. They are "its beautiful scenery, the friendly natural people the visitor expects to meet there, and its variety of geographic regions".

Of the total sample, 72 per cent describe scenery aa one of our most attractive features, 43 per cent mention the people of New Zealand, and 30 per ceot the variety of geographic regions.

The survey reports widespread ignorance of the airlines that fly to New Zealand. "Almost 25 per cent of potential travellera surveyed cannot name a single airline which flies there directly."

More than half (53 per cent) cite Air New Zealand as the airline which flies directly, followed by Pan Am (36 per cent), Qantas (32 per cent) "an incorrect response", and Continental (20 per cent). (Trust those Ausaies to benefit from us, while doing nothing).

PETER V O'BRIEN commenle on the finencial and buelnass week, eppralsee the shera market snd analyeee tha company accounts.

A profile of Americans seeking information about New Zealand confirms what many New Zealanders would suspect about age groups, after casual observation of American tourists.

The average age is about 45 and many are 50 or older.

Other aspects of the profile will be lesa well known here. The inquirers have "extensive foreign travel experience and an extremely high level of education. They alao repon unusually high incomes".

The age breakdown shows that 55 per cent of the sample are aged between 35 and 64, 45 per cent betweeo 40 and 64, 45 per cent between 50 and "75 years and over". Fifty-eight per cent of the total aged were more than 40.

They have aubstantial overaeas travel experience. More than half have taken five trips, and 25 per cent report 11 or more trips.

The survey includes 80 per cent of the sample in the categories from two to 11 or more trips.

This level of experience seems to have particular relevance to our internal tourist setup, because the more experience the travellers have, the more likely they are to know what they want to do and see,

rather than accepting blindly what is offered to them.

The survey reports that 29 per cent of the sample have incomes over $35,000 a year and 51 per cent are above $25,000. The survey comments: "Not surprisingly, in light of their education and foreign travel, Americans considering visiting New Zealand are relatively well-off. Those who are married have especially high incomes."

It appears that education, foreign travel experience and incomes are inter-related factors. When combined with the age distribution and the cost of travel, the income factor comes into better perspective, because people who have done a lot of travel, and who are in the higher age brackets, could be expected to have above average income.

The sample was given a list of things which people had said was important to them in deciding whether to visit a foreign country. In relation to New Zealand the respondents listed scenery, people, and variety of geographic regions as the most attractive things.

At the other end of the scale it is surprising to note that 1 per cent considered "exciting cities" the most attractive of the "two or three things on the list", and even one per cent listed "shopping opportunities". Then we move up to the 5 per cent who gave "primitive tribes" as their choice! Admittedly 25 per cent considered that was the least attractive reason for travelling in general, but some answers to the questions indicate a misconception about this country.

Another example of education and income levels appears in the section on regular readership of newspapers and magazines. The survey shows that 17 per cent of the sample read the *Wall Street Journal* on a regular basis, and 12 per cent *The New York Times*. No other newspaper rates more than 5 per cent. *Time* is top among magazines with 35 per cent of the sample, followed by *National Geographic* (33 per cent), *Reader's Digest* (19), and *Newsweek* (18).

Shock, horror, three per cent of the sample read *Playboy* on a regular basis! *Penthouse* failed to appear on the list, so we are probably safe from an influx of depraved middle-aged males seeking our famed fleshpots and upsetting Helensville MP's.

Electric exports provide key to profit lift

CHRISTCHURCH based electrical equipment manufacturer, PDL Holdings Ltd came right with a 54 per cent profit lift in the year to March 31, 1980.

Group profit rose to $1,353,717, compared with $876,866 in 1979, although the latest figure includes some capital gains which were unstated in the preliminary report issued on July 25.

The dividend rises one per cent to 16 per cent (8 cents share) and net profit covers the payout 3.3 times.

The ahares sold at $1.20 before the result, having risen 26.3 per cent from 1980's low of 95 cents.

The price/earning multiple is 4.58 at $1.20 for the 50 cents units, and the dividend yield is 6.66 per cent.

Exports appear the key to group performance in the latest year. While total sales rose 26 per cent to $21.1 million, exports were 43 per cent higher at $2.1 million. In the three months aince balance date to June 30 1980, exports increased 107 per cent, a movement which should set the company on the way to another good result in the 1980-81 year.

The effect of the rapid rise in exports shows up in the relationship of tax to pre-tax profit. Tax was 18.3 per cent of pre-tax profit, compared with 22.9 per cent in 1979.

PDL is the country's largest manufacturer of electrical products, such as light switches, fittings, switchgear, componentry, plugs, sockets, wiring devices, and so on.

Group products are found in virtually every building, a success which creates problems. The group has 90 per cent of the local market for some products and therefore the expansion rate is limited, (apart from items used as replacement equipment) by the growth rate in new dwellings and other buildings. The downturn in new housing construction in recent years probably affected sales. The general economic cycle influences any company with a dominant share of the available internal market.

The group has emphasised export sales and production. Exports last year were 9.9 per cent of total turnover, compared with 8.5 per cent in 1979.

PDL exports in two ways. One is direct sales to various markets in the Pacific region. The second is through the company's Malaysian subsidiary PDL (Asia) Sendirian Berhad, a manufacturing and sales company in Selangor State, West Malaysia.

PDL owns 82 per cent of the Malaysian company. Under its agreement with the Malaysian Government the company has to export about 60 per cent of production.

PDL (Asia) imports components from New Zealand, adds other items, and exports the finished products to countries in South-east Asia, the Middle East and (according to this year's preliminary report) the United Kingdom.

The special industrial agreement with Malaysia gives PDL two benefits: export incentives in this country, and industrial incentives in Malaysia for ... companies ...

growth opportunities are limited.

There is a population of between 250 and 300 million within PDL (Asia)'s range, which is industrialising rapidly and installing modern elecirical equipment.

If the available market is about 10 per cent of that population, after allowance for areas which will take time to become "developed", there are around 30 million people. Take 10 per ceat of that as a market share (a figure which allows for competition from other manufacturers in the region) and PDL (Asia) covers the equivalent of New Zealand, with a beter chance of increasing market penetration and overall group profitability.

There is nothing unusual in that. Every large-scale exponer saw the point long ago.

A similar calculation can be dooe in regard to California for example. The population is over 30 million, and everyone is a potential purchaser of the "right" New Zealand goods because of the high standard of living. A 10 per cent market share is equivalent to 100 per cent of the New Zealand market, before taking export tax benefits into account.

PDL's preliminary repon said group's sales from PDL (Asia) went up 71 per cent in the three months to June 30 1980. "This increase will continue, as it is intended to introduce in excess of 20 new products on to the South-east Asia market during the current year."

The market "went off" PDL for years after the public issue in 1973 at $1.23 a share. The price failed to rise above $1.24 for the next 6.5 years.

The present price/earnings multiple and the state of current trading, particularly in export markets, suggesta that the group deserves a higher rating.

Note: The writer naithar owns, nor has e beneficial intereal in PDL sharea.

Analysing annual accounts: NZ Forest Products

PREPARATION of the NZ Forest Products annual report must be a communication headache.

The financial information ineludes a salea breakdown by product groupa. How many companies in New Zealand could put $24 million in sales under the waah-up headiog "other"?

The table compares Forest Products divisional sales for 1979 and 1980 on the basis of a chart in the report. We added the perceotage figures.

"Other" had the largest percentage increase, but part of the reason waa the protracted strike at Kinleith. Paper sales were down aa a percentage of the total, and also recorded the smallest annual increase.

The atrike closed the pulp, paper, timber and plywood operations fur 12 weeks, but it seems to have affected paper sales more than others. Part of the explanation may lie in a rundown of stocks on hand, thus preserving sales revenue in some divisions.

Production figures show that output of pulp, paper, and sawn timber fell in the 12 months to March, 1980, while paperboard, wallboard, multiwall bags and plywood rose, some by relatively small amounts.

Another clue to a possible stock rundown is in the balance sheet. "Production materials" stood at $30.3 million, compared with $29 million in 1979, "partly manufactured goods" accounted for $3.7 million (3.5 million), but "manufactured goods" was down from 1979's $47.1 million to $46.4 million, resulting in an overall stock increase of only $700,000 to $80.3 million, before taking price increasea into account.

In the absence of comment in the report, it is impossible to make more than a guess at the stock changes. No doubt the company will point out the correct interpretation if the guess is wrong (we hope).

Apart from the revenue and profit lost from the strike, Forest Products' profit and loss account shows a substantial increase of $4.3 million (31.8 per cent) in "interest cost", an amount which includes exchange lossea on overseas loans for the purposes of the calculation.

Higher interest rates, and the depreciating New Zealand dollar, were responsible for interest moving from 4.2 per cent of the sales dollar to 4.6 per cent, the only expense item to show a significant growth proportionate to the sales dollar. Materials went from 55.4 per cent to 55.8 per cent, but that change is comparatively insignificant, although representing a solid increase in dollar terms.

The accounts carry a note that adverse exchange rate movements amounted to $8,854,000 ($4,968,000 after tax), of which $2,679,000 ($1,549,000 after tax) was charged against profit.

That is the other side of the tax incentive coin when a company operates extensively in overseas markets, and uses substantial offshore borrowings to develop the business.

COMPANY SALES — $ MILLION

Product	1980	Per cent of Total	1979	Per cent of Total	Per cent Increase 1980 on 1979
Pulp	48	11.2	37	11.0	41.2
Paper	138	33.7	127	37.9	9.4
Paperboard	48	11.2	33	9.9	39.4
Building Materials	134	32.5	102	30.4	31.4
Multiwall Bags	23	5.6	19	5.7	21.1
Other	24	5.8	17	5.1	41.2
Total	412	100.0	335	100.0	23.0

Further indications of Forest Products' size are seen in the asset figures. The company has a vehicle and "mobile equipment" fleet with a book value of $14.5 million (cost price $34.3 million).

That item alone makes the company one of the largest transport operators in the country.

The 1980 report covers most of the essential points adequately, but there are two quibbles worth attention.

The first is the report's layout. In order to ferret out the financial information included here, it was necessary to jump from section to section, to the notes, and to graphs which appear in a special section.

There seems no reason why the sales breakdown cannot be included in the profit and loss account, or in a note, which is its logical location. That also applies to the "distribution of sales dollar" table. If a company discloses the information, the profit and loss account or a note to avoid cluttering the revenue statement, is the best place.

The second point relates to the old problem of forests and their "worth" or value. Forest Products saya forest is recorded at cost, and that annual maintenance protection and management costs are treated as revenue expenditure and charged against operating profit for the year.

Assessment of appropriate values for standing timber on an annual basis is a protracted task, since the timber grows daily. But the company's forests are "worth" considerably more than the $99.7 million in the books.

Tasman Pulp and Paper gave shareholders a better idea of value when it included the government valuation of forest land plus the insurance value of the crop. "Value" doubled as a result.

In view of Forest Products reluctance to present a statement of inflation adjusted accounts (one of the reasons is the problem with valuation of assets which include capital intensive forests), information on realistic value of the vast forest areas would be useful.

Population growth declines

THE average annual rate of growth of world population has slowed in the past 10 years, declining from 2.1 per cent in the 1965-70 period to 1.9 per cent in 1970-75 and 1.7 per cent in 1975-79, according to the United States Bureau of the Census.

In a report entitled "*International Population Dynamics 1950-79*", the bureau points out that the population growth rate in each continent except Africa, has declined at least slightly.

Despite the trend toward slower growth in most regions, there continued to be wide variance in the actual growth rates of the different regions in the 1970s.

For the 1970-75 and then 1975-79 periods, the average annual rates of growth for Africa were 2.8 and 2.9 per cent, for Latin America 2.5 and 2.4 per cent, for Asia 2.2 and 1.9 per cent, for Northern America 0.9 and 0.8 per cent, and for Europe and the Soviet Union 0.7 and 0.6 per cent.

For the more developed nations as a whole, the rates were 0.8 per cent in 1970-75 and 0.7 per cent in 1975-79, compared with 2.4 and 2.1 per cent for the less developed nations.

Favourable comments only in certain areas

THEY read us out there in the groves of academe, and even give us footnote references in their learned articles in learned publications! The July issue of *The Accountants Journal* has an article by Alan J Robb, lecturer in accountancy in the University of Canterbury. Robb's article, *The Public Report — A Critique*, examines a previous article, *The Public Report*, written by Gerald Naughton and published in the *Journal* for February, 1980.

Robb says Naughton's article "has been favourably commented on by the *National Business Review* as calling for an improvement in annual reports."

The *NBR* review concluded that "Naughton's proposals deserve serious consideration among public companies, that they go on a long way toward improving company disclosure, and that they should receive the attention of the legislature if that body has any interest in the issues raised."

I plead guilty to giving Naughton's article "favourable comment", (but only in some areas) and therefore feel it appropriate to make a few comments about Robb's comments (Oops, about Robb's *Critique*; accountancy lecturers don't comment, they issue critiques, just as they have symposiums, seminars, and working groups when the rest of us have a conference or a discussion).

Robb may have referred to *NBR* to illustrate his classy reading habits. On the other hand, he might mean that a favourable comment in *NBR* pales into insignificance when the elite issue their critiques.

Robb believes much of Naughton's requested information is already required in public company accounts, and that the latter's suggestions for improved financial disclosure "seem to involve only matters of detail".

We gloss over the point that a guideline from the Accountants' Society (unlike the law) will be followed only to the extent that the directors decide to follow it. Some are happy to have auditors state, in awesome phrases, that such and such an accounting standard has not been followed.

But some "matters of detail" are more important than Robb thinks.

He says "it is more difficult to see the justification for the suggestion that sales be split between domestic and export and that raw materials too, be split between imported and local purchases.

"Perhaps it would indicate a independence on export markets or supplies, or the contribution made towards the economy's foreign exchange earnings or perhaps it might just be interesting to someone. Until the purpose of such additional detail is stated, evaluated and justified, its value remains suspect."

Further on Robb makes suggestions for improvement in reports. He wants more criticism by analysts. "Too many newspapers and other publications simply reprint the chairman's report or a company press release without any editorial comment or analysis." Then follows the inevitable reference to someone else's work in the time honoured manner of using that work to bolster your argument rather than having it stand by itself. "Good financial papers are ranked second only to the annual report itself as an important source of information", according to overseas assessments of shareholders' opinions.

Robb is arguing in a circle. On the one hand he considers certain financial information irrelevant, and then wants detailed criticism of reports by analysts and the press.

The export question can easily be "stated, evaluated and justified" in New Zealand, because we have developed a two-tier sharemarket. Analysts and commentators want to know where a company receives its sales growth, before either making an investment decision or giving advice to others.

In the investment column this week we look at PDL, the Christchurch electrical equipment manufacturer. That company's export performance, and likely potential for overseas sales, is fundamental to an informed assessment of the group as an investment proposition, as are the tax benefits associated with exports, because the company dominates the local market at a time when constraints on the construction industry result in minimal local growth. (PDL provides the breakdown).

If this information is irrelevant, why do the large companies in exports, Tasman Forest Products, Challenge, Fletcher, give it? The other element in that question is tax benefits. Export marketing and so on may lie in the hands of companies and their skills. Tax benefits lie in the hands of the Government.

If the analysts know what benefits were received under their separate headings in a better position to... the likely future... because there may be... gains in the year... annual report. And... investment analysis i... down in the ... You try to see the ... then put money where... is.

We can use another... from *NBR*. On July ... amined the DFC's ... We are still unaware of... corporation had 20 per... its assets in short term... ments at March 31, ... with 6.5 per cent the ... year. There was also... mation on the jump... ing expenses and the... tionship to gross ... funds invested. The ... public corporation, ... dividuals are unable... equity "investment ... but the principle is ... considering public ... Such questions affect... growth, policies, ... amount on the "bottom... Analysts want ... tomorrow's "bottom ... That may be the ... between their require... reports (or in ... document) and the ... university accounting... ments.

We also, unlike ... thirds of ordinary sh... to which Robb refers... lot more than ... "reading an annual re...

"Sorry, but it must be true—we can't do it, ..."

Stock Exchange weekly review

FOR WEEK FRIDAY JULY 25 TO THURSDAY JULY 31

	Last sale	Week's high	Week's low	Turnover
AIRWORK,50C	117	...	...	0
7.5% PR	...	...	...	0
6% PR	...	...	...	0
AJAX G.K.N.	280	200	240	800
A.J.WHITE	100	...	...	0
11.5% CONV PN	60	60	60	200
ALCAN,50C	107	164	161	800
A.H.I.	216	211	215	17100
ALLTRACS,50C	52	53	52	139400
12% CONV PR	45	41	45	700
ALLFLEX	116	116	116	18100
ALLIED FARMERS	300	300	295	7200
12% CONV PR	290	290	200	100
ALLOY STEEL	80	...	...	0
A.K.PAISLEY, 50C	210	210	210	1100
AMPOL PET.,50C	172	172	172	500
A.BEAVEN	108	108	108	54600
11% CONV NTS	95	95	95	300
11.5% CONV PN	90	...	...	0
ANGAS GROUP	108	110	105	000
5-7.5% PS	90	...	...	0
12% CONV PR	90	...	...	0
ANZ BANKING GROUP	220	220	220	18100
A.WRIGHT	330	...	...	0
"A" A-7.5% PR	...	...	...	0
"B" 5-6% PR	...	...	...	0
A.BARNETT	165	185	181	300
A.ELLIS	55	55	57	1200
ASTRIS TATSR	340	140	550	2600
12% CONV PP	150	150	150	200
ASHBY BERGH	250	230	230	1000
A.B.CABLES	205	205	201	200
ATLAS, 50C	35	37	55	34100
10% CONV PR	33	35	32	8600
AUCK.GAS	400	460	455	9500
AURORA,50C	155	155	152	12000
10% CONV PN	220	...	...	0
14% CONV NTS	104	...	...	0
CONV NTS '84	102	...	...	0
A.C.I.	198	...	...	0
AUTOCRAT HOLDS	168	110	165	5800
BAILLIE,50C	65	...	...	0
BALLINS,50C	12	72	70	00400
11% CONV PS	69	65	65	5100
BANK NSW	390	390	390	1500
BEACH PETR.,50C	225	...	...	0
BING HARRIS, 10C	70	10	10	5700
B.N.Z. FINANCE	245	245	245	2000
ROCKPLES BURNETT,50C	50	50	46	5100
ROTOGEVALE,50C	55	55	53	1200
BRIERLEY, 50C	310	313	302	60500
12.5% SPEC PN	...	...	...	0
BOS, 50C	55	55	55	500
B.H.P., 200C	1915	1930	1900	1000
BROTHERS, 50C	70	...	...	0
BUNTSHO,50C	80	80	78	4500
BURNS CAS.,50C	152	...	...	0
C.P.D.	193	193	192	11300
7-9% "A" PN	...	...	...	0
5% "B" PN	...	...	...	0
10% CONV PS	110	110	170	200
C.I.C.A.	217	...	...	0
11% CONV PN	165	...	...	0
C.F.M.	210	210	208	70400
12% CONV PP	140	142	140	600
CANT.FLOUR	220	...	...	0
CANT.TIMBERS	310	312	310	20000
12% CONV DEB	211	115	215	4000
CAPITAL RADIO,50C	150	150	110	100
CAPITAL LIFE,50C	72	...	...	0
CARBONIC SCP	270	...	...	0
CASTLE HOLT	440	440	475	6950
CERAMCO	219	223	217	62500
12% CONV PR	100	...	...	0
CHALLENGE	253	260	255	357500
CHEMFAB	150	155	150	3000
CH'CH.GAS	162	162	162	100
CH'CH PRESS	275	275	272	5900
CITY REALTIES,10C	35	35	35	72500
CLYDE GROUP	100	100	100	7500
12% CONV PR	97	97	90	500
COLLINGWOOD,50C	40	40	40	1600
15% CONV PR	55	...	...	0
COL.MOTOR	187	187	181	5500
COLTON WATSON	110	110	110	200
COPPLCO,50C	640	640	630	100
COMPANO	144	148	148	5500
COM.BANK AUST	520	...	...	0
CON.METAL,50C	165	168	105	5400
CON.SILVER,4C	9	10	9	67200
COOKS WINS	153	155	152	4700
CORY-WRIGHT	111	111	105	5100
12% CONV PN	55	...	...	0
CROWN CONSOLIDATED	[illegible]	198	191	[illegible]
11% CONV PR	185	185	185	800
C.S.R.	930	950	950	1200
CYCLONE,50C	200	200	200	4200
DALGETY-N.Z.	220	220	217	11100
DALHOFF & KING,50C	80	80	55	5700
DEANTS	140	140	140	1900
D.I.C	152	153	152	4400
12% CONV PP	120	123	120	1000
DINEWALL & PAULFER	180	...	...	0
D.NCL WALLACE,50C	113	115	115	6900
12% CONV NTS '79	...	...	...	0
11% NTE '82	113	111	111	4400
8% CONV NTS	90	90	90	1000
D.I.Z.A	65	...	...	0
DOM.BREW.,50C	71	74	71	302000
11% CONV PR	48	48	45	53000
DONAGHYS	320	320	320	1400
12% CONV PR	325	...	...	0
D.F.C.,50C	92	92	90	18100
DUNLOP (NZ)	340	340	340	1200
4.5% PR	45	45	45	100
EBRETI	115	115	111	1700
E605,50C	115	115	101	4400
E L'STEIN,50C	105	125	185	4100
FAMPTON NTRIS,10C	795	...	...	0
F.ANANS	110	170	170	300
F.T.C.,50C	104	105	104	7900
11% CONV PP	75	73	75	200
F.WAIKAK,50C	65	...	...	0
FELTEX,50C	116	112	115	125800
5% PR	41	...	...	0
FIRESTONE NZ	120	120	120	4000
FISHER & PAYKEL	202	205	201	17600
FLETCHER	366	367	350	106200
15% CONV PR	105	105	105	0400
FOUNTAIN CORP	125	125	125	4400
FRESHWAYS, 50C	140	142	157	37000
10% CONV P1	62	22	02	500
GEAR	87	87	80	1000
11.5% CONV PR	60	...	...	0
GEN.FINANCE	800	...	...	0
G.COUST	123	125	125	10900
G.J.COLES,50C	807	...	...	0
GOLDEN BAY,50C	50	51	50	21800
GOODMAN GROUP	250	250	240	6300
10% CONV PR	106	...	...	0
GROSVENOR PROPS, 25C	50	...	...	0
HALLENSTEIN	230	230	225	7700
HANLEY	105	...	...	0
HADOAKS ENTERPRISES,25C	170	210	170	1400
HAWKINS,50C	55	57	55	16500
6.5% PR	...	...	...	0

	Last sale	Week's high	Week's low	Turnover
H.B. TANNERS	198	198	190	400
15% CONV PP	140	...	...	0
HEALING	290	213	285	61600
10% DEB	...	...	...	0
12% CONV PD	220	220	215	16000
H.POLLARD	550	590	550	49800
10% CONV PR	220	...	...	0
HENDY BRENT,50C	160	163	158	3700
10% DEBS	235	...	...	0
HOONES,50C	75	...	...	0
HUME INDUSTRIES	118	...	...	0
5-7.5% P1 PR	45	...	...	0
10% CONV DEBS	111	117	111	200
I.C.I.(AUST)	155	...	...	0
I.C.I.(NZ)	190	190	190	000
IND BROADCASTING	140	...	...	0
INDEPENDENT NEWS	148	144	148	1100
INS.CREM,50C	200	...	...	0
INTERTASMAN NT,50C	...	...	...	0
T.V.DOR,50C	210	210	205	9000
JAMES AVIATION	210	212	210	2500
JAMES SMITH 50C	88	...	...	0
14% CONV PN	60	...	...	0
J.E. WATSON	260	160	260	100
12% CONV PP	221	...	...	0
J.BURNS	170	113	168	1500
12% CONV PP	155	111	155	7000
JOHN EDMOND	700	...	...	0
J.WEBSTER 50C	10	50	49	8700
12% CONV PR	42	47	42	300
J.MENZIES THRS., 100C	70	70	70	100
5.75-8.25% PR	...	...	...	0
J.NATHAN	125	...	...	0
6.5% PP	125	...	...	0
11% CONV DEBS	140	140	140	40000
J.WATTIE	165	181	165	0100
12.5% CONV PR	130	130	110	600
KEARNS-OPTIMA, 100C	210	...	...	0
L.V.MARTIN,50C	120	125	115	298600
12% CONV PN	105	103	100	59500
LANEX,50C	45	41	45	400
L.D.NATHAN	178	180	171	57300
9.5% CONV DEBS	105	...	...	0
LEYLAND,50C	105	...	...	0
LION, 50C	92	91	90	58100
10% CONV PR	60	80	80	5900
12% CONV PP	70	10	20	5500
L.&M.OIL,50C	32	31	32	55800
LUSTEROID	125	...	...	0
MAINZEAL CORP,50C	95	95	95	500
MAIR,50C	170	170	170	1400
11% CONV PN	150	150	150	200
MANARAIV,50C	164	156	164	400
MANTREL	170	...	...	0
MASAC	249	241	240	6300
MCALPINE,50C	172	172	172	800
MCKECHNIE	191	145	145	1500
MIDLAND	145	...	...	0
11% CONV PP	130	125	120	100
MIN.RESOURCES,20C	73	75	69	129200
M.D'ORILLA,50C	80	80	80	100
12% CONV PR	83	...	...	0
MONTANA,50C	150	150	141	17700
M-P.I.N.	175	...	...	0
11% CONV NTT	140	...	...	0
MOSGIEL	5	10	5	535400
12% CONV PR	7	10	6	73000
MOTOR HOLDS.,50C	119	119	141	42200
12.5% PS	...	...	...	0
MOTOR TRAD.,10C	65	65	76	19100
5-6% PP	44	...	...	0
11.1% CONV PR	52	52	70	1800
MSI CORPN,50C	110	110	108	1100
12% CONV PR	110	110	110	1100
MT.COOK	160	160	155	5500
M.I.M.HOLDS.,50C	650	650	650	1500
NAT.PRICE, 50C	220	222	218	25500
NATIONAL TRADING	...	...	...	0
6% PS	...	...	...	0
NATLOR	100	...	...	0
5% PR	...	...	...	0
NETL HOLDINGS, 50C	35	31	35	52800
N.Z.CEMENT	102	101	102	2700
N.Z.I.C.,50C	90	93	88	78800
11% CONV PR	75	75	75	12000
N.Z.FARM FERT.	164	165	164	5200
12% CONV PR	156	130	155	2900
14% CONV PR	153	155	155	500
N.Z.F.P.	545	550	545	91800
N.Z.I.G.	555	555	555	100
5.5% PR	160	...	...	0
N.Z.I.	192	292	290	45500
10% CONV PP	100	160	160	5600
N.Z.LAND,50C	215	...	...	0
N.Z.LEATHERS	77	23	15	0500
N.Z.MOTOR BODIES	105	105	105	2200
N.Z.M.C	150	150	140	25400
N.Z.NEWS	207	201	205	6200
N.Z.PETROL,50C	152	151	152	1400
N.Z.REFINING	96	97	95	4700
N.Z.STEEL	112	212	205	19200
N.Z.UNITED	350	350	550	100
NOVSA INDUSTRIES	105	...	...	0
NUHAKA	135	135	133	1000
ODLINS, 50C	80	80	79	64400
"A" 6% PS	80	...	...	0
12.5% CONV PR	54	54	55	25400
"B" 11% CONV PR	62	62	62	1300
OPTICAL PRODUCTS, 50C	51	21	50	4000
12% CONV PR	45	...	...	0
OTAGO PRESS & PROD	105	105	105	1700
PAYROC HOLDINGS	105	...	...	0
P.D.L.HOLDS,50C	120	120	120	700
PERM.INVEST	75	...	...	0
PHILLIPPS & IMPEY,50C	116	110	115	4800
PRESTIGE,50C	82	22	80	6100
PRINT & PACKAGING	185	185	102	32000
11.5% CONV PN	140	146	146	8000
PROGRESSIVE	395	510	395	8450
12% CONV PP	780	...	...	0
PROP.SECURITIES,50C	157	158	157	400
PRUD.BUILDING	100	...	...	0
QUILL HUMPHREYS,50C	90	90	90	1000
12% CONV PN	75	...	...	0
RADIO AVON, 25C	168	162	162	600
RADIO OTAGO	155	...	...	0
RODINA	100	...	...	0
R & W HELLABY	172	172	167	2300
REID FARMERS	250	250	250	3900
REPCO(NZ),50C	94	94	94	3900
10% CONV DEBS	100	100	100	800
REVERTEE	290	290	280	1200
RHR CONSOL.	245	245	240	2100
RHEEM,50C	125	175	170	2400
RICKETAS,50C	248	...	...	0
ROSEMARIE,50C	117	119	117	32400
R.H.SAUNDERS	310	...	...	0
SALMOND	200	...	...	0
SANFORD	290	290	290	1800
PR	...	...	...	0
12% CONV PR	200	...	...	0
12% "B" CONV PR	...	...	...	0
SCHOFIELD	120	...	...	0
SCOTT,50C	82	82	82	1500
12.5% CONV PR	48	...	...	0
SELBY	280	...	...	0

	Last sale	Week's high	Week's low	Turnover
SKELLERUP,50C	295	297	202	12600
5-7.5% PR	55	...	...	0
SMITH & BROWN PAPLS, 50C	190	...	...	0
SMITH BIGLAND,50C	112	172	170	8300
12% CONV PN	135	155	155	1500
SMITHS C.P.	126	150	128	5100
STH. BRITISH	500	508	290	41500
STHN. CROSS HOTEL	115	...	...	0
STHN CROSS MINS.,20C	20	83	18	52200
S.F.M.	222	250	282	17200
SPEDDING, 50C	52	52	46	8500
12% CONV PR	70	...	...	0
STEEL & TUBE, 50C	102	102	102	34200
SUCHLING	150	155	150	000
TASMAN, 50C	205	895	890	24000
5% PR	...	...	...	0
PAR1 PP	...	...	...	0
SAILOSS	115	...	...	0
18% CONV PR	112	...	...	0
TELETHESP	176	...	...	0
12% CONV PR	140	...	...	0
T J EDMONDS	510	...	...	0
TOLLEY	105	505	105	58400
TOUR ZEAL	55	...	...	0
TRANS ASHBURTON, 50C	46	...	...	0
RNL GROUP, 50C	70	72	65	44700
10% CONV PN	60	41	60	3200
12% CONV PR	63	61	62	600
TRANS CNTH. CONT.1	100	100	100	1500
15.5% CONV PR	90	...	...	0
TRANSVISION	188	190	188	2400
U.D.C.	147	...	...	0
U.E.B.,50C	102	105	100	72400
6.5-7.5% PR	195	...	...	0
12% CONV PD	00	...	...	0
15% CONV PD	52	52	52	3400
UNITED STEAM SHIP	80	...	...	0
5.5% PR	82	...	...	0
UNITED BLDG	105	105	105	1200
UNITED PUBLISHING,50C	180	180	180	100
VACATION,50C	60	65	60	5600
12% CONV PR	52	55	52	1400
12.1% CONV PR	50	...	...	0
WAITAKI-NZR	182	188	172	43000
11.5% CONV PR	141	142	140	3500
12% DIPS	161	...	...	0
WALKER & HALL	295	...	...	0
WATTIES,50C	111	118	115	71200
12.5% CONV PR	71	22	70	1800
WELGAS	485	475	475	800
WILKINS & DAVIES	190	190	181	1900
5.75-7.5% PR	50	...	...	0
W.JEFFERY	136	136	136	2500
12% CONV PR	101	...	...	0
WILSON & HORTON	265	265	265	40100
WILSON DISTILLERS	95	91	95	200
WILSON NEILL	295	555	290	1500
12% CONV PR	[illegible]	[illegible]	[illegible]	[illegible]
WINSTONE,50C	81	85	81	[illegible]
12% CONV PR	54	65	56	[illegible]
VIVIANS (NZ) PROPS, 50C	182	...	...	0
5.75% PR	72	12	72	200
WORMALD	280	290	280	300
5-7.5% PR	100	...	...	0
W.P.CARPENTER,50C	216	...	...	0
W.SUTHERLAND	135	135	135	200

Industrial relations

Govt cold shoulder knocks wage policy optimism

ON Wednesday, two days after Prime Minister Rob Muldoon returns from Western Samoa, the Government will again play host to the Employers' Federation and FOL — in search of a wages policy.

But, in contrast to the apparent optimism that followed the two months of preliminary talks, consultations, proposals and planning to hammer out the shape and detail of that policy, the meeting will likely be a suspicious, cautious and confused affair.

The Government will need to talk hard and work fast, to convince either employers or unions that it knows what it wants or how to get it.

"The whole thing has turned into a bloody shambles," says one informed employers' source.

"The Government's all over the place . . . I don't think the Prime Minister or the Minister of Labour know what they want, or if they do, it's so different from what we've been advised. They've got to come close to what we and the FOL can live with."

The same source expressed frustration because, as things stand, employers and unions are about to go into this year's wage round "as confused — maybe more — as last year."

"Both parties have got to know the ground rules. They've had a year to get some sense into the system," he said.

Getting some "sense into the system" is what the wages policy is all about. During the last few months a working party of Employers' Federation and FOL representatives, plus officials from the Prime Minister's Department, Treasury and Labour Department, have been meeting to get the policy right.

The FOL suggested that the wages policy include a minimum wage, determined by the Arbitration Court before October this year; cost of living adjustments to all wage rates, again determined before October; a system of wage bargaining operating exclusively within particular industries (not, as at present, a system involving negotiations for union members across the industrial board); and six-monthly applications to the Arbitration Court for cost-of-living increases.

The six-monthly applications would be intended to maintain the real value of the minimum wage, with the rider that the impact on the national economy would need to be considered in the granting of any pay increase.

Furthermore, the move to sole-industry wage bargaining would take into account particular factors such as profitability, productivity and necessary levels of skill.

Perhaps more important than the detail of the policy is that what came out of those working party meetings was an agreed proposal to put to the politicians — something the FOL and Employers' Federation could both accept.

"We put up a joint proposal that can work in the market place. The Government has really given no clear indication that they can live with it in principle," said an employers' source.

The sentiments are the same at the FOL. Officials there feel that any problems were well thrashed out during the working party meetings.

The problems foreseen were raised by Government officials and, effectively dealt with.

In the end, as the FOL sees it, "the working party put a proposal to the Government. They've refused to indicate what their points of objection are," said one source.

Several meetings with Muldoon, Brian Talboys and Jim Bolger have failed to produce results, agreement or enlightment, employers and the FOL say.

"During the so-called famous wage talks the Government hasn't put forward one proposition. Not one," said an FOL source.

"We're going round and round in circles," said an employers' man. "The Prime Minister seems to be vacillating on it."

FOL officials claim this is because the Prime Minister had hoped to pull portions out of any FOL proposal, portions out of any employers' proposal and then add such ingredients to the mix as he considered also necessary to get an acceptable final result.

But, an FOL official said, that sort of ad-hocery isn't possible with the joint proposal. "You can't take pieces out of it without the whole thing falling over."

Both unions and employers reject any suggestion that the FOL's insisting that the Remuneration Act be repealed is a stumbling block to acceptance of the wages policy.

"The Prime Minister's said he's happy to see the Remuneration Act go if a viable wages policy can be put in its place," said one source.

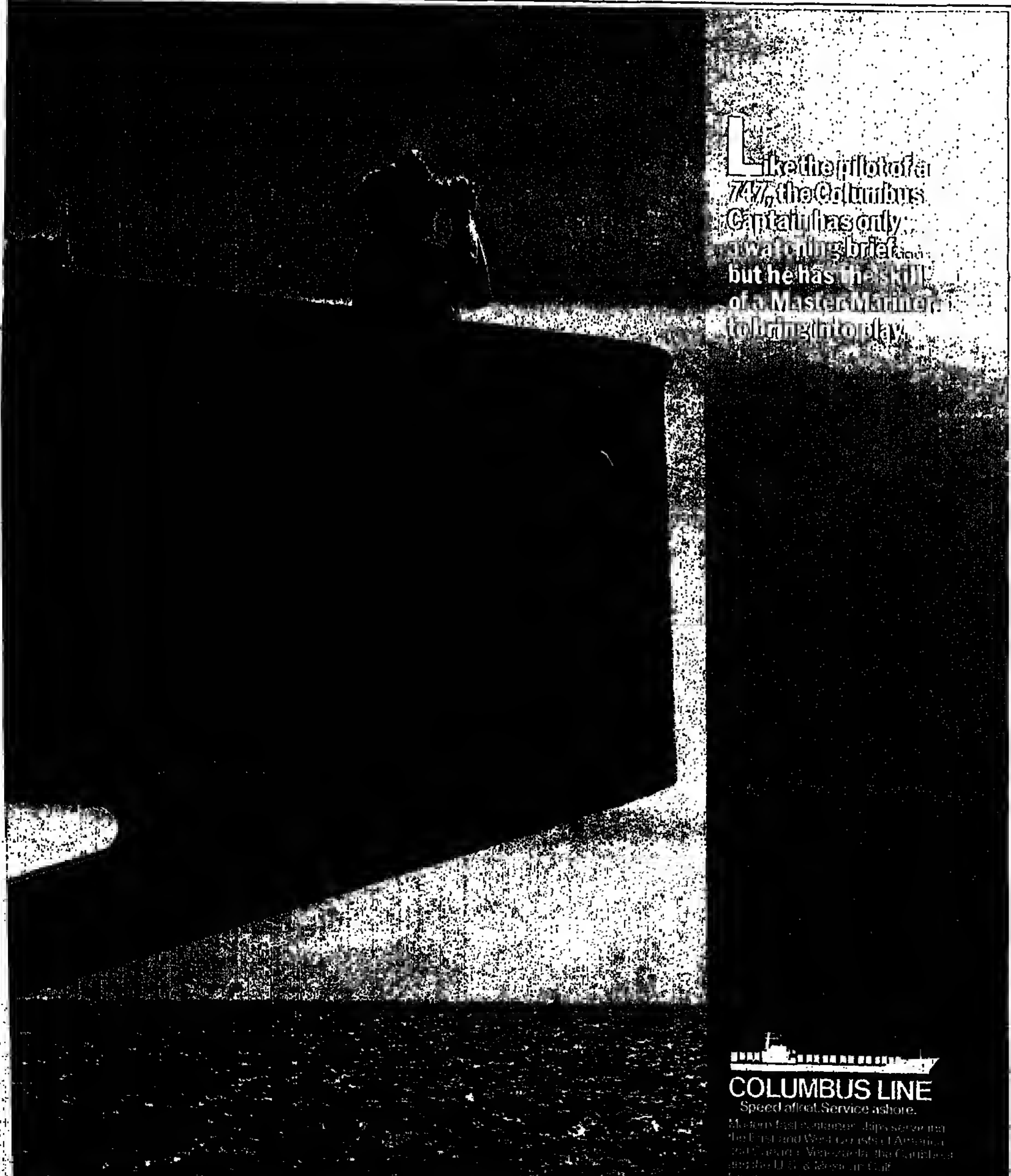
"If we can get a package which won't fuel wage-led inflation there's no need for a Remuneration Act — it can be repealed."

So, back to the package, a policy which now seems to be more a fond hope than a real prospect. The FOL and employers' say that time has run out; the deadline has expired that major changes such as these require consultations and explanations and that neither group can now inform its membership (and where necessary negotiate with them) in time to put any finally agreed wages policy in place before this year's wage round.

That is particularly the case now that the Cabinet has decided on an acceptable wage policy of its own — a policy evidently decided at last Tuesday's Cabinet meeting.

But at the end of the week it hadn't been communicated to either the Employers' Federation or the FOL.

"The Government should not be surprised at a degree of uncontrolled frenzy this wage round," said an Employers' Federation spokesman.



Tourism

Visitor traffic reduction casts ominous shadow

THE country's tourism growth in 1979 was the second lowest among the 29 destination countries which belong to the Pacific Area Travel Association (PATA).

Only the ailing Fijian market did worse, with its disastrous drop of 12.1 per cent in the number of visitors during the year, compared with 1978.

New Zealand's visitor numbers grew by only 1.7 per cent, down at the bottom of the table with India (2.2), Malaysia (2.1) and Papua New Guinea (3.1).

The top performers in 1979 were Micronesia with a whopping 87.5 per cent jump, Western Samoa (31.9), Sri Lanka (29.6) and Australia (23.6). The average was 8.6 per cent. The figures have just been released by PATA.

New Zealand's growth since 1975 has been consistently well below the PATA average.

So there is grave cause for concern within the industry here because 1980 figures from round the Pacific are generally down on last year. With airline fares climbing and the United States in the grip of a recession, the industry could take a tumble during the coming summer season.

But if the country is not doing well at luring visitors, it is excelling at sending holidaymakers to resorts overseas.

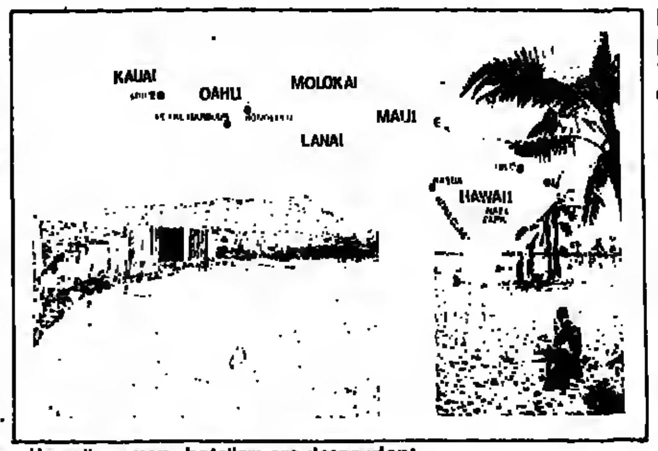
In fact, the troubled Hawaiian group is so impressed with visitor growth from Australia and New Zealand it plans a major promotion down here next year.

Australia is now the fourth and New Zealand the fifth largest foreign markets, according to the Hawaiian Visitors' Bureau figures.

Arrivals from the two South Pacific countries are not separated statistically by the bureau but the total is 220,000, up 76 per cent over the figure five years ago, representing almost twice the growth of other Hawaiian visitor markets.

An estimated 70,000 of those tourists are from New Zealand.

Although Australians and New Zealanders tend to make Hawaii a stop-over on the way to the United States mainland or to Europe, the rapid growth has impressed the Hawaiians, specially now there has been a severe reduction in visitors from the east coast of the United States.



Howaii . . . many hoteliers are despondant.

But right now tourists plant operators in the island states are worried about a fall-off in numbers this year.

The total tourism traffic for the first four months of 1980 is down 4 per cent on the same period last year, and last year's figures showed limited growth over 1978 because of airline strikes and the grounding of DC10s. That 4 per cent represents about 50,000 visitors.

Some hotels and specially some resorts in the outer islands have taken a setback with a 36 per cent plunge in the group tour trade, mostly from the east coast of the mainland, during the first quarter of the year.

Although Hawaii has had tourism slumps over a few months in previous years, it has not had a decline in actual numbers of visitors over a full year since 1947 when the industry was in its infancy.

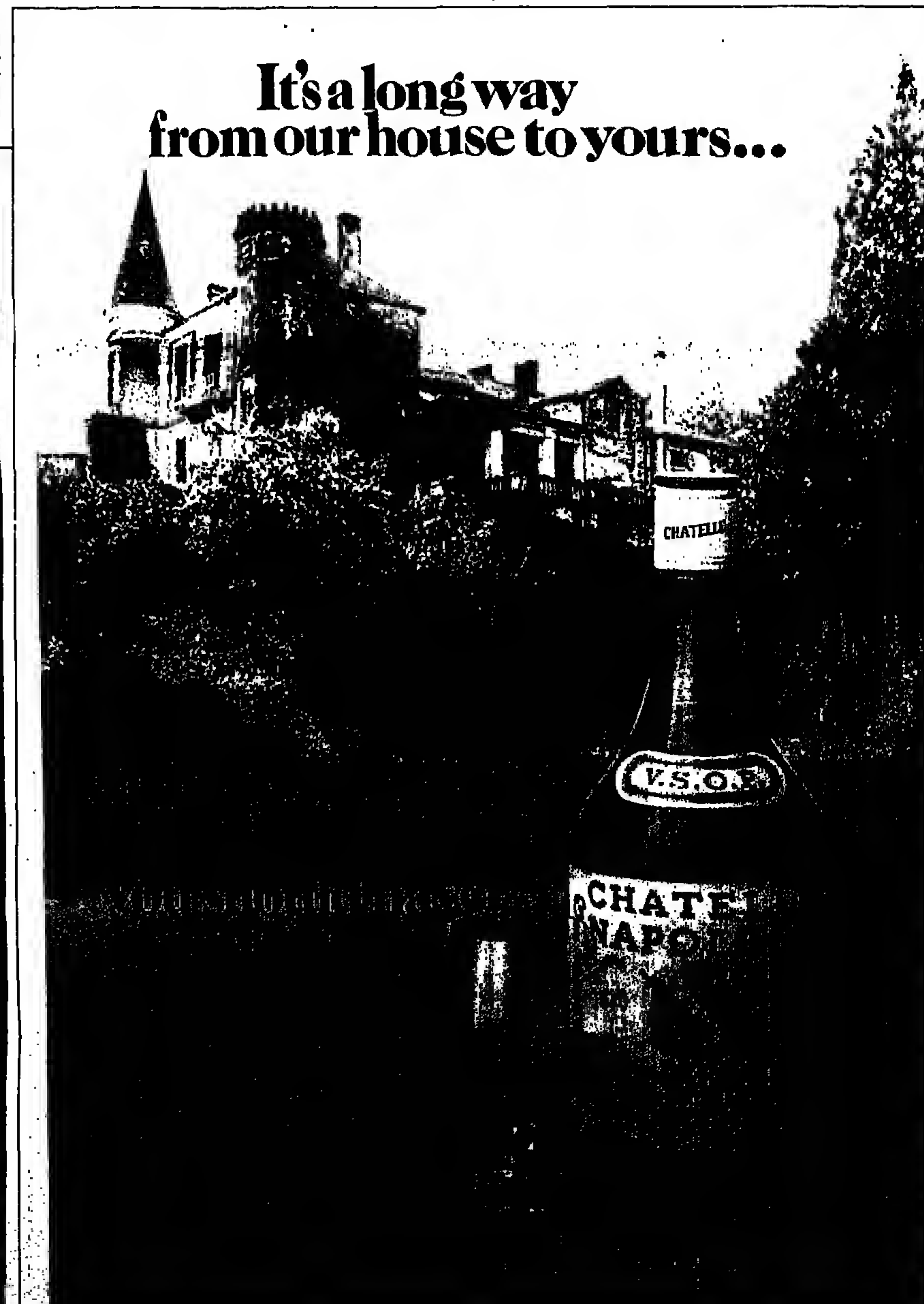
Although some observers predict there will be a resurgence later this year when the United States recession eases, many hoteliers are despondent.

The new Prince Kuhio Hotel is operating now on a 30 per cent occupancy rate. The occupancy rate in Waikiki last year through both the peak and the trough was 77 per cent, and throughout the state the annual average was 71 per cent.

The business slump, the higher price of aviation fuel and growing competition from the big mainland carriers has led to significant losses by two interisland airlines — Hawaiian and Aloha.

The point is that if Hawaii is hurting, the whole Pacific region must be hurting. And the factors which have hit Hawaii are fuel cost rises lifting air fares and the recession which has hit Canada, the United States and many European countries — all prime sources of visitor traffic for New Zealand.

The only good news is that Australians appear to be balking at long-haul holidays and may have discovered that the currency differential with New Zealand is changing remorselessly in their favour. Whatever the cause, Australian interest in New Zealand holidays has started to grow since the beginning of this year.



Admark

Scores with drops

by Grev Wiggs

THE two drops of milk which won the New Zealand Dairy Board's corporate identity design competition were not everybody's cup of tea.

"The design met with a mixed reception," said Neville Martin, manager of the dairy industry information services.

"Most people would have been more comfortable with a traditional design. But this is new. It will grow. It will be terrific for animation."

It was described by the judges as a "fresh dynamic design easily recognised anywhere as milk in flow."

The winner, from a field of 400, was Rick McKinley, creative director of W H T Advertising and Marketing, Auckland.

The computer commercial

PHILIPS took over the colour television leadership role in 1973 with the certain knowledge that it would be the target for the whole industry, that its position of technical superiority would inevitably be eroded and that marketplace strategy would assault its front-running position.

This year, on the brink of launching an entirely redesigned range of CTV, it faced strong opposition. Each competitor was equipped with high technology models, unrestricted by hire purchase restraints and some were prepared to offer a five-year guarantee.

But Philips had a new proposition and its new models featured technical innovations with demonstrable advantages.

The problem was one of restating and reaffirming the leadership image of superb picture quality while establishing for the new range a status of advanced and beneficial technical achievement.

This task fell to a single television commercial (and its adapatations) which broke entirely new ground in using the electronic wizardry conjured up in the service of television itself.

Those who have studied the current Philips "New Horizons" commercial and its variations will detect a space-age quality that does not quite belong to reality or fantasy.

The commercial capitalises on the current wave of computer-generated video effects to present realism in a surrealistic fashion.

With a knowledge of the computer applications, a storyboard was developed by Inglis Wright's creative director, Terry Hancox, and assistant creative director, Peter Avery, in a teamed effort.

For the technical facilities it was necessary to go to Sydney where Image East used its scanimate (a visual synthesiser) to produce flexible images based on real life video. The musical score and sound track were then produced and matched to the video.

At the time of its execution, the commercial was claimed to be the most technically advanced video production ever made in Australia.

The new commercial was backed by print colour in the *Listener* by point of sale and full colour literature. Within 24 hours of its release, dealers were reporting direct sales throughout the country. For the post-release period, at least, sets were being allocated.

For all the involved technical complexities required to produce the commercial, the objective was simple and direct; to produce an arresting and memorable video image in order to sell just that ... video images.

Professional union touch

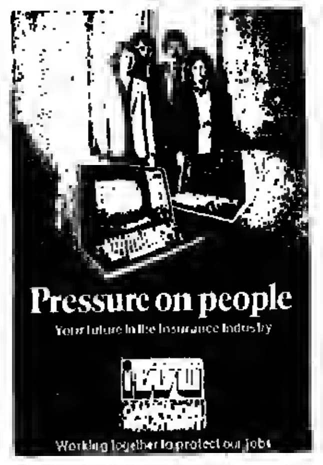
TRADE unions, it would seem, are increasingly employing professional skills to communicate with their members and the public.

As a result, their messages gain in objectivity and effectiveness and are free from the special pleading and emotional overtunes that charncterise the passionate banner waver.

The Insurance Workers Union has set out to conduct a programme of involvement with its members: *Campaign Employment*. The issues concern the introduction of computers and new technology and consequent effects on employment.

Key piece is a sophisticated 12-page booklet printed in two colours with four colour cover which spells out the union case in photographs, cartoon and text. Eight thousand copies of the booklet were printed for union members and dissemination to the media and parliamentarians.

The copy is moderate in tone, employs reasoned argument, clearly sets out the issues from the union's point of view and denotes the action goals.



"We regard it as part of our education programme," said national education officer of the IWU, Peter Fowler, "and we have had an extremely good reaction. It is being read thoroughly."

Newspaper advertising was planned to coincide with stop-work meetings throughout the country and to inform the puhlic of the reasons for this action.

Ads and booklet were produced by The Ideos Trading Company, a Wellington creative shop less than a year old, which had as one of its original objectives the extension of professional creative services to non-commercial organisations.

"In this area we have, so far, dealt mostly with charitable appeals," principal Douglas Wilson told *Admark*. "This is our first major project for a trade union. It's a professinnal attempt to put the issues clearly and unemotionally."

Because the IWU is using communication techniques which are as available to it as they are to employers, it suffers no disadvantage in the industrial "marketplace."

There are still unions which, although capable of sparking a demarcation issue in a flash, believe that they alone can present their case in public print with stunning conviction.

Centenary competition

ENTRIES are steadily coming in for the New Zealand Meat Producers Board competition for a centenary symbol with $2500 being offered for the winning design.

The first frozen cargo of meat left New Zealand in 1882. The board is looking for a logo which will convey 100 years of successful exporting experience and reinforce confidence in New Zealand meat products now being marketed in nearly 100 countries.

It is intended that the design should, with modification or development, continue to be used beyond the celebration of the centenery and become a permanent meat identification for use in all markets.

The winner will, if available, be invited to undertake the development work required to adapt the design for its many applications.

The competition is open to professionals and students in the design and graphic arts field. Closing date for entries is August 15.

Insurance

Scheme offers motor dealers agency commission

by John Sloan

"MOTOR Industry Insurances Limited will provide an essential requirement to all dealers — certain, quick, insurance cover, with the profits being returned to the shareholders."

That's the come-on in the recently launched prospectus aimed at motor dealers, who are also promised an agency commission for business introduced to the proposed company.

Establishing the company depends on one critical point: the $600,000 deposit required by the Insurance Companies' Deposits Act. If, by September 30 1980, $750,000 is not subscribed, the venture will not proceed and the subscriptions will be refunded.

The company seeks $2.5 million in subscribed capital and its primary aim is to "carry on the business of insurance and assurance of all types and in particular to provide insurance suited to the needs of the motor industry."

A clue to the reasons for establishing the company appears in the prospectus: "What it means to you — when a motor vehicle dealer sells a car the question of insurance always arises.

"Generally, acting as an unpaid agent of existing insurance companies, the dealer/salesman arranges insurance for car purchasers. The dealer to public car sales for the 12 month to October 1979 (both new and used) was 228,102 cars. Based on a conservative annual premium of, say, $150 a car, insurance arranged by dealers/salesmen would weekly provide more than $500,000 in premium income to insurance companies."

While this potential weekly $50,000 premium income appears correct, it overlooks two vital points.

Firstly, many vehicles are purchased by companies and will be insured by the owner's fleet policy which enjoy preferential premium rates anyway.

Secondly, for trade-ins there is usually a refund of premium due for the replaced vehicle. So the potential premium income is already partly consumed.

The promoters of Motor Industry Insurances Limited have calculated their likely minimum annual income:

This conservative calculation is intersting for two reasons.

Firstly, there has been no assumption made to show the effect if the company receives increased support from every licensed motor vehicle dealer throughout New Zealand. Secondly, and more importantly, the income is principally derived from investment on various funds.

The proposed directors of the company are on record as saying that the company is not interested in "cut-price insurance" and this is evident from their estimate of "underwriting profit of 0.5 per cent a year of annual premium income".

In other words, 99.5 per cent will go in claims, administration costs, reinsurance and reserves for catastrophic claims. But what will happen if a serious underwriting loss is incurred is not clear.

Premiums could be increased to an uncompetitive level, business could drop off, investment cash flow earnings could reduce and the shareholders' returns could be proportionately reduced.

Considerable thought has gone into the prospectus. The proposed directors clearly recognise the danger signs of motor insurance: rampant inflation of labour costs; spiralling costs of spare parts; intense, often irrational, competition for the premium dollar; and surplus capacity in the motor vehicle insurance market.

Having regard to the potential premium income from all the motor vehicle dealers throughout New Zealand the scheme should succeed.

But the insurance business is intensely competitive and the new company cannot hope to get the entire support from all motor vehicle dealers.

For instance, Wrightcars have a special competitive nation-wide motor vehicle insurance scheme arranged by insurance brokers, Hogg Robinson NZ Ltd. And many other dealers have agency arrangements which bring them commission income without having to invest in an insurance company themselves.

Then there's the traditional competition from other insurers. People who have always insured with, say, the State Insurance Office, will naturally contact them for a quotation prior to accepting the premium submitted by Motor Industry Insurances Limited.

But the scheme is not based on insuring motor vehicles alone. The company also makes provision to cover the additional insurance risks which could provide a substantial premium income in addition to motor vehicle premiums. The risks include:

- Immediate optional protection in the event of accident, sickness, or death for any car purchaser to meet their payments under finance agreements at competitive rates and conditions.
- Dealers protection under a policy including options for cover against: finance agreement default; warranty claims; excess loss over payments under Accident Compensation together with sickness and death covers; fire, flood, burglary, theft, malicious damage, loss of profits, and all other types of insurance cover over the dealer's asset including stock and place of business; house, contents, and all other personal insurance for licensed motor vehicle dealers, licensed motor vehicle salesmen, and their families."

Other insurers are expressing a cautious reaction to the proposed establishment of this new company. Many insurers found motor vehicle hire purchase schemes a graveyard and they were lumbered with drivers with appalling accident records. Another costly exposure is that thefts of vehicles and malicious damage to the vehicles in open caryards have created serious losses for many insurers.

The new scheme does not assume it is going to capture the entire motor vehicle dealers' insurance market — all it wants, indeed expects, is a portion of the market. And the promoters believe they have the basic management skills to make a go of it.

Their prospectus includes the comment: "Motor Industry Insurances Limited will be started, owned and run by shareholders who have already started, owned and run their own business in what is often said to be the toughest line of enterprise. With this wealth of knowledge guiding it the company must be a success."

Time alone will tell.

Life insurance business standing the test of time and inflation

by George Harper

THE life insurance business is not known for being innovative.

Actuaries — the people who apply the mathematics of probability to the calculation of risk of the happening of insurable events — are a conservative lot. But, they are the linchpin of any life office. Historically they have been responsible for plotting a safe course through uncharted waters for the life insurance industry for more than 100 years.

I see little or no change in the basic contracts that have stood the test of time the world over.

Despite galloping inflation and rising costs over the years, premium rates have remained stable for 25 years and policyholders have continued to pay their premiums in the depreciating currency.

Reversionary bonuses represent, in part, the policyholder's "return" on investment. Bonuses are at an all-time high and provide a hedge against inflation.

But I would like to see life offices which are operating on the basis of mutuality, writing up their assets to a more realistic level, particularly in times of high inflation when capital appreciation gains momentum. The policyholder (or estate) who enters a contractual commitment over the term of the policy would be rewarded in direct relationship to the investment earnings of the life office expressed in a substantial terminal bonus.

The trade unions in Australia will be the trend setters in the field of staff superannuation as part of the "packaged" deal for all workers. This must affect trends here.

I can see our trade unions establishing and investing their own superannuation funds in the next 10 years. Such funds could reach massive proportions which would give the unions the opportunity to become major shareholders in all key industries.

The effect could create an imbalance in the economy.

The trained career agent with professional qualifications, will continue to be indispensable. Life insurance has to be sold on a person-to-person basis.

The current rash of expensive full-page newspaper advertisements with clip-out coupons stressing the fact that "no salesperson will call" will never supplant the personal service provided by the agent.

My personal achievement could be regarded as the "Everest" in life insurance sales in New Zealand but others will follow in time. I have had the support of a good team of "sherpas" — albeit personal clients and companies who helped me to be the first to reach the top.

GEORGE Harper is a senior consultant with the AMP Society and is the first life insurance agent in this country to produce more than $100 million in new business.

Wool buyers first into fray of futures trading

by Lindsey Dewson

EVERY day at 3.30 pm eight New Zealanders sit down at their telephones for a linked call. Helen Schat in Christchurch *chairs the conference* and begins the calls. The bids start rolling in. Another day's trading in New Zealand wool futures has begun.

The eight brokers, affiliates of the London Wool Terminal Market Association Ltd, are running New Zealand's fledgeling futures market. Their phone link is the first step towards establishing an on-the-floor futures trading system which will be set up when there's sufficient business volume.

The local wool futures market began trading on June 3, and is arousing increasing interest from the country's wool traders and producers. Between 20 and 100 contracts are made daily in futures – agreements to buy or sell a commodity at a fixed price on a certain date in the future.

Wool buyers have been first into the fray. The average Kiwi farmer is taking longer to use the system.

HOW does the futures business work?

Early in the year a farmer looks ahead at his prospects. He has an estimated clip of 105 bales which will go up for auction in December. He works out production costs and determines a profit margin.

The wool futures market price for December is 370c a kilo, clean. He decides to sell five December contracts at this price to cover his production costs and protect profit.

By December, when his wool is sheared and ready for sale, the wool market has fallen to 350c a kg clean. However the grower sells his wool at auction in the normal way and at the same time buys back five futures contracts.

Market prices and futures prices move together, so the price of December futures has fallen in line with the cash market to 350c a kg clean.

The farmer sold five December futures contracts at 370c and bought them back at 350c to cancel out his obligations to deliver.

So he makes a profit on his futures of 20c a kg clean. He adds this to the price he received for his wool, 350c and 20c = 370c. Thus he has received the price he budgeted for when he took out his hedge.

This means his clip is worth over $2000 more than if it sold for at auction.

Speculation is a term that the farmer is wary of, but Graham Perrin assistant general manager of Broadbank Corporation Ltd, believes that the traditional way of selling wool clips is much closer to speculation than playing the futures market. "What we are offering is a chance to insure against future downturns", he said.

Futures trading began last century as a means of insurance against the violent fluctuations which can occur in commodity prices.

The local futures market is in crossbred wool. Deals are made in contracts for 2500 kg clean weight (about 21 bales) of a standard type called 35F2D.

There is, of course, a "loser" and "winner" in every contract. Given the fluctuating state of the world's economy it might seem that the risks are heavy.

The commitment to deliver or accept can be cancelled out by buying back a sold contract or selling a bought contract. Less than 2 per cent of contracts actually reach fruition because they are continually being traded to keep pace with moving trends.

People who go into the futures market fall into two categories — hedgers and speculators.

The hedger is someone entrenched in the industry who wants to insure against adverse price fluctuations.

The speculator has no intention of actually buying or selling the commodity, but is seeking profits from speculating on changes in futures prices.

Hedging works because futures markets and physical markets tend to mirror each other as delivery (spot month) is reached.

Because of this relationship, if a loss is made on the cash market, a profit usually results on the futures market. Conversely, if a loss is made on the futures market, as a result of having to pay more to re-purchase a contract, then the sale of the actual commodity on the physical market will bring more than originally expected.

It's a sophisticated game, whose players have to know what they are doing. Here it is confined to people involved in the wool business because the Government is averse to open speculation.

"The Reserve Bank's attitude has been that they support the introduction of the new market and they've been as helpful as they can be within their regulations and guidelines," says Perrin.

"Under the present exchange control regulations the Government cannot give *carte blanche* to speculators because if they lost we would have to make payment overseas on their behalf, adding to our 'invisibles' drain.

"So the local market is only open, at this stage, to overseas speculators or New Zealand speculators with overseas funds, as well as those in the wool industry".

Speculators have an important part to play in the development of the market, Perrin says. "It's a shame that the word has taken on unfortunate connotations. You always have to have people who are prepared to take a risk."

Increasing numbers of contracts will provide a good volume of business which will provide a hedge for the farmers and a chance for the speculators to forecast future wool trends and make the profits which will reward them for the risks.

"We're working towards achieving 150-200 contracts a day as soon as possible," Perrin says.

Some critics overseas are concerned about the stability of the futures industry, but Perrin believes that the controls exist to prevent economic shocks.

"The Bunker Hunt silver affair raised a lot of doubt about futures trading, but I feel that the critics ought to be pleased rather than critical. Hunt's plan failed, and trading continued which demonstrated that the system works."

Every wool futures contract is guaranteed by the International Commodities Clearing House. Participants have to put down a deposit of $400, and possibly "margins" as well if the price starts moving against the owner to the extent where the deposit does not cover the difference between the contract and the current price.

Adjustments to margins are made daily and traders receive regular statements summarising outstanding contracts and showing the net open position upon which margins are calculated.

Contracts are closed out by either making or accepting delivery of the commodity during the delivery month, or by transacting an equal and opposite off-setting contract of the same delivery month.

It costs $40 in commission fees to buy or sell and another $40 to close out.

New Zealand's eight futures brokers, who are affiliates of the London Wool Terminal Market, are: Broadbank; J S Brookshank and Co; Crown Consolidated; Francis, Allyson, Symes and Co of Wellington; Mair and Co and John Marshall and Co of Christchurch; Anthony Marquet of Auckland; G Modiano of Clive.

New Zealand wool futures trading began last January in London, but there were administrative problems caused by the time difference and currency fluctuations.

A visit by LWTM and ICCH representatives paved the way for trading to be carried out by New Zealand companies.

"With our direct links to London we now have up to the minute information for assessing the market. Our closing prices are transmitted to London each day so that trading can carry on there when their business day begins," Perrin says.

No moves have yet been made to trade in other commodities, but Perrin sees no reason why a futures exchange cannot be set up in future to handle other primary produce as well.

He emphasises that Broadbank's role is not to trade on its own account but to become the main independent futures broker in the country.

Wipe-out on wave of fortune

THE American futures market has grown sevenfold in a decade.

It has changed from an activity of professional traders and major grain and metal dealers into a form of speculation involving greater numbers of the public and wider areas of the economy.

More and more investors are getting into commodity futures which the *Los Angeles Times* recently called "a fast-moving professionals' game where amateur speculators are like surfers seeking the perfect wave: their vision is of sudden, exhilerating riches. Reality most often, is a wipe-out".

To a rising chorus of critics, in and out of the American Government, the rapid expansion of these markets and their increasingly speculative nature are putting at risk not just these relatively few investors but vast segments of the American economy.

Unless tighter controls are imposed, they argue, the United States *will find itself* dangerously vulnerable to sudden economic shocks that could tip it into a recession, or worse.

Futures began in the 19th century, and were used mainly by dealers to protect themselves against fluctuation in the prices of wheat and corn, cattle and hogs.

In the United States commodities players can also place their bets on future trends in the price of gold, silver, platinum, and heating oil, as well as on fluctuations in interest rates and the value of various foreign currencies.

Last year 76 million futures contracts were traded with a total value of $3 trillion — up from just 11 million contracts in 1969.

The dangers of an uncontrolled futures market are many, say American critics: Chaos in the commodity markets could disrupt the financial world and threaten the American economy.

While the futures market originated and grew with agriculture, the liveliest games in the United States have little to do with farming. They are concerned with broader measures of a country's economic health – precious metals and interest rates.

Commodity exchanges and brokers are convinced that more and more banks will want to hedge their interest costs by buying and selling futures in Government-backed mortgages, Treasury bills and Treasury bonds.

The New York Stock Exchange is so interested in the potential for these financial futures that it is spending $16 million to create a New York Futures Exchange.

Credit card operators enjoy a steady growth

NEW Zealanders have been whisked quietly — some would say insidiously — into the credit card business in the past two years. And from all reports, they appear to be loving it.

The introduction of the bank-backed Visa and Bankcard credit cards have extended to the public generally the privileges of credit card buying, previously held only by the affluent, top-market Diners Club and American Express cardholders.

All the credit card operators report expanding cardholder numbers, expanding merchant numbers and increased turnover.

New Zealanders readily accepted credit cards despite the concerns of the New Zealand Retailers' Federation and the Consumer Institute.

The public has been won over by the zip-zap fun of advertising, the educational "Saturday morning at the nursery" and the "kids need new shoes again" approach.

After the Visa (it's a debit-whoops-now a credit card) debacle, the three Bankcard banks — ANZ, Wales and CBA — worked carefully to introduce their card and to ensure that cardholders, merchants and their own staff were well informed on operation, procedures and responsible use.

Their advertising was low key and their public relations won for themselves and consultants Neilson McCarthy & Partners the New Zealand Public Relations Institute's highest accolade, the Cherrington Award.

All credit card operators are enjoying steady and encouraging growth. Cardholder applications continue to roll in.

Previously "inactive" cards are becoming active, and merchants are reporting increased business as a result of credit cards.

After holding out in line with official Retail Federation policy, some major retailer outlets are affiliating to accept the cards.

The Farmers Trading Company, the PSIS, DIC, Hannahs, Bond & Bond Ltd, Whitcoulls and James Smiths Ltd have made the switch to credit cards, giving tacit approval to the new retail spending trend.

More major outlets will join while the operators move into their second phase of affiliation, aimed at doctors, dentists, lawyers and tradesmen.

But competition between operators is fierce. Bankcard is extending internationally, linking with the Mastercharge card. But Mastercharge will be available only on application for Bankcard holders travelling beyond Australia. Its issue will be selective, and it is unlikely the card will be free, as Bankcard is.

This should dull the "international acceptability" marketing edge which Visa claims.

The Bank of New Zealand and National Bank quote a total of 210,000 Visa cardholders and 17,000 merchants; Bankcard has 250,000 cardholders and 17,000 merchants; Diners 55,000 cards acceptable at 5… outlets, and American Express 50,000 cardholders and … outlets.

Card holders receive travel option

Melbourne Correspondent

SOME 2.5 million Australian Bankcard holders can apply for either of the two American bank-backed credit cards, Visa and Mastercharge. Purchases overseas on these credit cards will be debited to the holder's Australian account under a scheme which took effect on August 1.

The same terms will apply to these overseas transactions as now apply to domestic Bankcard: 30 days interest-free terms and 18 per cent annual interest rate on outstanding amounts and cash advances.

In the 1978-79 financial year Australian Bankcard holders used them to acquire goods, services, and cash balances worth \$A1700 million, but until now many Australians travelling aboard have had to rely on Diners Club and American Express for credit facilities.

The new international connections will make credit facilities available at 3 million retail and service outlets in 140 countries and cash advances available at 60,000 banking offices.

The average credit limit for the domestic Bankcard is about \$A1000 but limits for the international Bankcard are expected to be within the \$A2000-\$A3000 range, depending on the creditworthiness of the card holder.

The new international cards are known as Bankcard Mastercharge and Bankcard Visa.

A spokesman for Bankcard said that because Australian travellers abroad would need larger amounts, banks might have to probe "a little deeper than they have with the domestic Bankcard." He said everything would appear on the one statement, whether overseas or local transactions.

Overseas merchants could obtain authorisation for Bankcard holders in a matter of seconds through the vast communications network link.

But, he cautioned holders of the new international cards against seeing the cash advance facility as anything but an emergency measure.

According to Bankcard, the Australian Reserve Bank has directed that the cash advance facility be limited to \$A500 in any seven day period and then only for emergencies. Though the bank itself officially declined to comment on what constitutes an "emergency", or who determines it — unofficially a source at the bank said it would be left to the discretion of the individual banks.

Judge clears decks of procedural debris for main bout

by Jack Holder

THE latest stage in the legal aftermath of the Securitibank collapse has cleared the decks from most of the procedural debris to make way for the main encounter. That will be between the liquidator and the large financial institutions (including 10 insurance groups) who were shareholders in Securitibank when it crashed late in 1976.

This latest stage is marked by Mr Justice Barker's twentieth judgment on matters relating to the liquidation. To put the judgment in perspective requires a minor historical diversion.

Early in 1977 a consortium of creditors of Securitibank was formed with the express object of "investigating and determining the liability to consortium members of the directors and members of the Securitibank Group of companies for all or any losses suffered by consortium members".

The consortium pressed the first liquidator, Keith Crawshaw, to sue the shareholders under s.364 of the Companies Act 1955. That provision empowers the court to order the payment to the liquidator of such sum as "may seem just" by shareholders in a private company who have acted in its affairs prior to the winding up and whose specified acts or omissions have prejudiced creditors.

Crawshaw was not inclined to proceed at that stage. The consortium, fearing the application of a two-year time limit on s.364 proceedings, commenced proceedings against the shareholders and directors in 1978. Those proceedings were in the name of the Auckland Paraplegic and Physically Disabled Association Inc (a creditor of Securitibank Ltd, Merbank Ltd and Commercial Hills Ltd) as a representative of all Securitibank creditors (some 7,000 in all) and claimed \$50 million in damages from 23 defendant shareholders and directors.

The proceedings were based on s.364 and also s.320 and 321 of the Companies Act (the latter provisions dealing with delinquent directors and fraudulent trading). Further proceedings, alleging fraud and negligence at common law, were issued later in 1978. Both sets of proceedings were ordered to proceed in tandem by Mr Justice Barker in 1979.

With such a huge sum at stake, it was clear that the litigation would be fiercely defended — almost certainly to the Privy Council — and would be very, very expensive. Thus the consortium directed its effort to having the liquidator take over its proceedings. As controller of the remaining resources of Securitibank, the liquidator could afford to fund such litigation.

The death of Crawshaw in May 1979 changed the situation. The consortium had a resolution that the liquidator take over its proceedings passed at the creditors' meeting called to nominate the new liquidator. And the new liquidator, Harold Goodman, after appointment by Mr Justice Barker, reconsidered the position as to the proceedings. In May 1980 he advised the Court that he would be commencing new but similar proceedings.

Against that background, the consortium's proceedings came before Mr Justice Barker in a four-day hearing at the beginning of July. The consortium sought an order directing the liquidator to take over or directly fund its proceedings. The defendants sought orders striking out the consortium's proceedings, hurrying up the liquidator with his proceedings and awarding costs.

At the hearing itself, the consortium consented to the striking out from its proceedings of claims to represent other creditors. Thus the proceedings were reduced to a claim of \$10,000 by one creditor only, the Auckland Paraplegic Association.

Although the question of representing all creditors was conceded by the application (that is, the Auckland Paraplegic Association — in fact the consortium), it was discussed at some length by the Judge. He pointed out that it was a class action and could not hope to embrace all creditors: some were investors, others trade creditors; the state of knowledge of each was relevant to the common law claims; and the assessment of damages depended on individual circumstances. Even under the most liberal interpretations (as applied in Canada) the class action launched by the applicant could not have succeeded. The alternative procedures — smaller representative proceedings, a test case or multiple plaintiffs — should have been adopted from the outset, he said.

The first contested point ruled on by the judge was whether the liquidator could take over or fund the applicant's proceedings. In holding that he could not, Mr Justice Barker emphasised that a liquidator's role is related to the company itself and only indirectly to creditors and is limited by the terms of the Companies Act. Thus the liquidator could not sue as the agent of the creditors, he could not underwrite the creditors' proceedings and he could not enter into an arrangement whereby he was assigned the creditors' rights of action.

The defendant shareholders also asked the Judge to give directions to the liquidator. They wanted him ordered to bring his proceedings within a stated period. Mr Justice Barker declined to do so on the basis that any litigant has a right to commence proceedings at any time until the statutory limitation period has expired.

But he expressed the hope that the liquidator's intended proceedings (which will involve s. 320, 321 and 364 and common law claims as fraud, negligence and breach of fiduciary duty) be commenced as soon as possible, pointing out that 1982 was already the earliest realistic date for a substantive hearing.

The defendant shareholders also failed to have the applicant's proceedings struck out altogether. However, those proceedings have been stayed pending the commencement of the liquidator's proceedings and it seems likely that they will then be redundant.

The final part of the decision deals with that most basic of legal questions: costs. The defendant shareholders advised the Court that they had incurred an average of \$20,000 each in costs to that date and that an award of \$7000 each to the 12 major defendants could be readily justified. The applicant's response was that the legal groundwork would not be wasted because of the similar issues involved in the liquidator's intended proceedings and that it had been indemnified by the consortium for costs up to \$5000.

The defendants were awarded the \$5000 to be divided up between them and given leave to apply for more should the liquidator's proceedings not involve common points with the present litigation.

Mr Justice Barker's decision No 20 also contains a hint of the possible subject of the future decision No 21. The defendant shareholders have given notice that they will be challenging a rule established by old decisions and seeking an order requiring the liquidator to provide security for costs when he commences his proceedings.

Government administration

Thriving spare-parts business clobbered after undercutting the big-boy competition

by John Mullinder

WARREN Smith has been nobbled.

The Hamilton engine reconditioner claimed earlier this year that large car-part franchise-holders were trying to run him out of business because he could undercut their prices with imported spares.

Now the Government has refused to renew his import licence.

He plans to go to the Ombudsman to contest the decision.

Working from his home garage Smith was importing pistons and bearings from Repco Australia, fitting them to Holden and Falcon engines, and selling the reconditioned motors for $465. That is $300 less than the price charged by his competitors.

News spread and Smith said he was deluged with phone calls from all over the country. Some callers offered to buy his complete supply of cheap apares. Others — fleet operators like Winstones and Alert Taxis — made regular requests for reconditioned engines.

Even the local General Motors dealer, Ebbett-Waikato, joined in, Smith claimed. (But "they'll deny it like hell", he said).

Business was booming and Smith applied for further licences to import the pistons and bearings necessary to his operation.

Trade and Industry replied that it was "prepared to consider further applicationa . . . in this and in subsequent years, providing (Smith) continued to pass on a real cost benefit to customers".

Smith was. So much so that he decided the public should know the facts of life about spare parta coats.

He alerted the media and was interviewed for the regional television news programme *Top Holf.*

That interview never went to air. It waa referred to *Eyewitness*, which was already investigating the possibilitiea of a story on the spare-parts industry.

Then two curious things happened.

Within 48 hours, public relations consultants Eric White and Associates phoned to ask if *Eyewitness* was doing a story on spare parts. If so, could their man, former television interviewer David Exel, appear on behalf of Repco NZ which has a virtual monopoly on the manufacture of pistons in this country.

Within 12 hours Exel himself was on the phone asking what the story was about and offering his services if required.

Next day, *Eyewitness* received a call from John Greene, executive officer of the Engine Reconditioners' Association. He also offered a representative to appear in any story and charged Smith with not being a member of the Reconditioners' Association. Any adverse publicity, he said, would reflect badly on a nationwide advertising campaign currently under way.

(Told of Greene's call, Smith said the engine reconditioners should be more concerned at the reconditioned short blocks being imported into the country — that was more of a threat to the reconditioning trade than he was).

Intrigued by the calls and the offers to appear on television before any programme on spare-parts had been decided on, *Eyewitness* took a deeper look at the Smith case.

Smith was buying pistons and bearings at trade price from Repco Auto Parts in Brisbane. For a set of Holden 202 (six-cylinder) pistons he was paying $A55.19 and produced the invoices to prove it. By the time sales tax, duty, exchange adjustments and airfreight had been added, Smith could land the pistons in New Zealand for $76.

That compared more than favourably with the trade price quoted by Auckland firms for the same parts.

Motorspecs: $271.02

Andrews and Beaven: $278.22

The public, of course, was charged more:

Motorspecs: $354.24

Ace Traders: $364.14

Andrews and Beaven: $371.16

Repco (NZ) Ltd is 60 per cent owned by Repco Australia.

Clearly Smith was passing on, in Trade and Industry's own words, "a real cost benefit tu (his) customers".

But he was under some pressure. A complaint about his operation had been lodged with the department and was being investigated. And Smith was experiencing difficulty with his source of supply.

He was told by his Brisbane contact that an order he had paid for would not be coming through; it had been stopped at the request of Repco New Zealand. He was offered his money back.

At first the general manager of Repco Engineering in Auckland, Graham Larner, did not want to be interviewed by *Eyewitness*. Smith, he said, was a "backyarder" and probably didn't have council approval for the garage on his premises.

In a later interview Larner doubted that Smith's operation would have much impact on Repco New Zealand. "We've had the Mr Smiths of this world in similar vein before. It's not the first time and I guess it won't be the last," he said.

He denied he had personally acted to cut off Smith's supply and pointed out that Snuth's order had been honoured. (It was, said Smith, only because he had threatened to blow the thing wide open).

Had Larner's bosses then put pressure on Smith?

"Ah, no . . . as far as I'm aware there has been nu pressure put on Mr Smith at all," Larner said.

"What we did do, of course, was ask Australia how these parts were coming into New Zealand and why were they coming in. And we naturally asked our Australian export company and they cabled back that they'd sold nothing, never heard of Mr Smith. And so there was some close-down of the whole situation really until I found out where these parts were coming from, which transpired to be Brisbane of course."

The price Smith had paid for his parts was a mistake, Larner said. And the price they were selling for in New Zealand was really a matter for the wholesalers to answer.

As he understood the aituation, the prices Smith had bought at were only available to very large hulk movers of parts and over a limited range of models.

He later quoted the New Zealand trade price for the 202 pistons at $267.78; from Australia they were $281.98.

Trade and Industry agreed with Repco's figures and has declined to renew Smith's import licence application. The Government, the Minister is quoted as saying, does not want to jeopardise the jobs of 500 workers at Repco New Zealand.

What the Minister did not say was that Trade and Industry may have made a mistake in issuing the import licence to Smith in the first place.

Department officials did not check to see if the parts Smith wanted to import were made here before issuing him with an import licence, sources said.

Still, the parts made and sold in Australia by Repco's parent company for less than $A55 cost $270-plus in New Zealand.

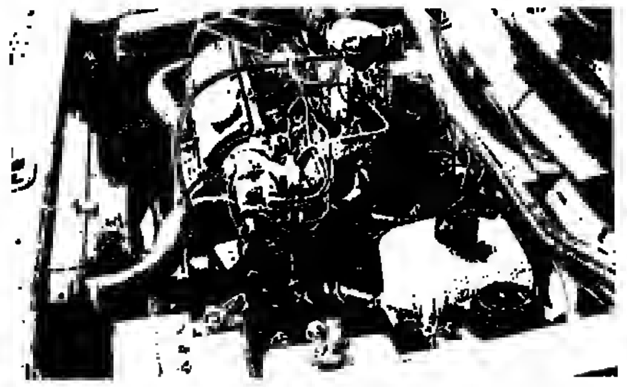
Adams-Schneider sent Smith a telex advising him that his import licence application had been declined.

"Investigations have shown that the ex-factory price of the local manufacturer of pistons and bearings compares favourably with those of his Australian counterparts on like quantities," Adsms-Schneider said. "I recognise that it is possible to import similar items from Australia at lower prices by purchasing direct from a manufacturer and thus avoiding margins normally charged by middlemen."

So Smith missed out on his licence, and consumers will have to pay more than four times the price for pistons and bearings because he bought his parts too cheaply.

Not so long ago Adams-Schneider was urging importers tu shop around for the cheapest sources of supply, in the New Zealand consumer's interests and to save foreign exchange.

Smith shopped well. And got clobbered for his efforts.



Spare-parts . . . cheap imports refused licence

Chrysler rescue

THE United States Government's Chrysler Loan Guarantee Board has approved $250 million in new loan guarantees to the nation's third largest auto producer, but noted that Chrysler's economic situation has deteriorated in recent weeks.

Congress has authorised $1500 million in loan guarantees to rescue Chrysler from bankruptcy.

The firm borrowed $500 million under the arrangement in June, and the second instalment, approved on July 15 would bring the total drawn down to $750 million.

The board found that the financing plan for the company was adequate, "despite a $150 million increase in Chrysler's projected 1980 loss and prospects of weaker performance in 1981 to 1983."

Chrysler estimates that it lost $1017 million in the first half of 1980. The board projects total losses for the year of $1225 million.

The staff's earlier projection that the domestic industry would sell 9.8 million cars in 1980 has been reduced to 8.8 million.

Energy

Methane conversions generate loss of energy

Special Correspondent

A MECHANICAL engineer describes and quantifies the losses from converting natural gas to gasoline, discusses the advantages and disadvantages of the stages of the conversions and discusses the capital requirements. He also suggests alternative energy policy is suggested.

The engineer does not want to be named for fear of angering public servants who deal with his company's tenders for Government projects.

LIKE other engineers, I am concerned at the decision to convert natural gas into gasoline. The low efficiencies of converting natural gas (methane) into methanol and then gasoline cause a serious loss of energy.

As it is piped ashore, natural gas is largely methane.

The various other components, such as carbon dioxide, condensate and liquified petroleum gases, are removed so that the methane can be further processed for the production of methanol and gasoline or for use directly as a premium fuel for motor vehicles.

The energy losses incurred in purifying the methane will be the same for each usage.

If the gas is used for motor vehicles, it will be compressed to high pressures and — pessimistically — up to 5 per cent of the energy content of the fuel might be so used.

In the conversion of pure methane to **methanol**, 16 units of mass of methane with a higher calorific value of 55 megajooles per kilogram becomes 32 units of mass of methanol with a higher calorific value of 22 megajoules per kilogram.

The maximum energy content of the methanol output is no more than 81 per cent of the energy of the methane input.

When the energy used in the production process — pumps, fans, compressors and heating — is considered, a further loss will occur. This could be as low as 5 per cent. A paper by C J Hamilton of Lurgi, suggests that these losses are much higher.

The energy of the output may be as low as 63 per cent and as high as 75 per cent of the energy input of the methane.

When methanol is converted to **gasoline**, there is a further loss of energy.

B V Walker told the Institution of Engineers conference that the efficiency of conversion is 90 per cent. Based on Hamilton's paper, a much lower efficiency, of some 75 per cent could be postulated.

A paper by J E Penick and others at Mobil in 1978 put the chemical energy losses at about 7 per cent. Their description of the process suggests that high energy input would be required, and therefore the mechanical losses could reduce the overall efficiency to 75 per cent.

The net energy output of the gasoline will range from 68 per cent to 47 per cent of the energy of the methane feed stock.

The capitol costs given for the Mobil gasoline plant are:

	$ million
Two methanol plants at $150 million	$300
Methanol to gasoline plant	$150
	$450

We have been told that the Mobil plant will produce gasoline equivalent to 30 per cent of the country's annual consumption.

We can assume there are 1,420,000 vehicles burning gasoline (motor cars, rental vehicles, light goods vehicles and 50 per cent heavy goods vehicles). Those figures have been taken from the 1979 *New Zealand Year Book*.

Taking the capital cost of the gasoline plant and dividing the gasoline-burning vehicles by 30 per cent we get an average capital cost of $1055, to provide gasoline for the average vehicle. (The factor of 30 per cent covers the fact that the gasoline plant covers only 30 per cent of our gasoline needs).

If the methanol to gasoline plant is removed from the calculations, the stand-alone methanol plant would cost $703 per average vehicle, neglecting the increase in energy available by the deletion of the losses in converting from methanol to gasoline. By taking a pessimistic view of those losses, the increase in energy available lowers the equivalent capital cost to $530 per average vehicle.

The capital cost per vehicle of a gasoline plant compares unfavourably with the cost of converting a car to CNG with allowing for gas compressors and filling station.

These figures are based on an assessment of gasoline vehicles which is probably too high. Lower numbers of gasoline-powered vehicles would increase the difference between the figures.

Another view of the capital cost per vehicle can be taken, by using the consumption figures given by Energy Minister Bill Birch when discussing rationing.

He said the average private motorist would be allocated nine litres of fuel each week. Assuming 50 per cent of the vehicles are private, and assuming the nine litres per week is based on a 25 per cent reduction in consumption, then these vehicles use 455 million litres of fuel.

Assuming 90 per cent of the total usage is by cars and so on, non-private vehicles use 1550 million litres total, or an average of 41 litres each week.

Alternative calculations, assuming that 60 per cent of the vehicles are privately used and 95 per cent used by cars, suggest that the remaining vehicles use 52 litres a week.

Another way of looking at the capital cost is to divide the capital required for gasoline by 30 per cent of the annual consumption. This gives a figure of 67c of capital per litre of gasoline produced each year.

If a vehicle consumed more than 1500 litres per year, the capital cost of the gasoline plant would exceed in most cases the capital cost of converting a vehicle to CNG.

It must surely be in the country's interest to minimise the overall capital requirement.

These figures show what is obvious:

- A small proportion of vehicles burn a large proportion of the gasoline;
- The capital cost of the gasoline plant per high mileage vehicles is very high;
- Converting relatively few high mileage vehicles to CNG could reduce dramatically the imported fuel bill.

There appear to be good reasons for terminating the conversion of methane before the gasoline stage.

Synthetic gasoline

Disadvantages:

- There is considerable capital cost involved;
- There is a considerable loss of energy in the conversion with the corrolary of a shorter life of the gas field;
- The process is not beyond an experimental stage;
- There is a delay of some five years before a payoff accrues to the country;
- The cost of the synthetic gasoline plant will probably escalate by between two and five times before it is commissioned.

Advantages:

- The sole advantage over methanol is that it can be used in today's engines.

Methanol

Disadvantages:

- The loss of the energy is considerable but not as much as gasoline production;
- It is not acceptable to all cars without modification. The cost of the modifications would not exceed the difference in capital cost to make gasoline;
- It is highly toxic when ingested, but it is rated as no more than an irritant under National Fire Protection Association ratings. That puts it on a par with gasoline;
- It has an affinity for water which, according to some authorities, is not a major problem.

Advantages:

- A readily transportable fuel is obtained for use throughout the country;
- The conversion process is in use on large scale plants;
- The modification cost per car will not be great;
- Technology for the use of alcohol is becoming widespread in the United States and Brazil;
- When blended with low-grade petrol, its properties are enhanced.

Natural gas (methane)

Disadvantages:

- Limited reticulation through the North Island;
- Limited range from a fill;
- Relatively high cost installation for a car.

Advantages:

- Maximum efficiency;
- Early pay-off possible;
- Technology is readily available;
- The capital is spread over many small installations;
- A clean burning fuel with a greatly reduced emission problem.

The Government policy on fuel was decided 10 years after Maui was discovered and about one year after the proposals were first suggested in public.

In compressing into one year what should have been an investigation lasting, say, five years, the Government does not seem to have chosen the best option.

A better approach would appear to be:

- A strong Government policy to foster the use of CNG in areas served by natural gas pipelines, probably by a differential pricing policy. The incentive should be aimed at the conversion of fleet vehicles in such areas.

Conversions of high-mileage vehicles could be undertaken in a relatively short time with a modest outlay of capital and would provide a rapid reduction in the overseas fuel bill.

- Strong incentives on the use of LPG in areas not served by CNG installations. The use of Maui gas will produce as a by-product LPG. If the Mobil plant proceeds, 15 to 20 per cent of the output will be LPG. Because LPG is readily transportable, and therefore available throughout the country, and there is a limited amount of LPG available, there may be ground for disincentives for LPG where CNG is available.
- Convert natural gas to methanol to blend with petrol. The properties of low grade petrol are enhanced when blended with petrol. The refining needed is not great and more petrol can therefore be obtained from the crude oil.
- Investigations of electric vehicles should be continued. It may be economic to convert gas to electricity at 45 to 50 per cent efficiency, as in combined cycle plants, and then use the electricity in vehicles at 50 per cent efficiency, giving an overall efficiency of 20 to 25 per cent compared with the normal efficiency of an internal combustion engine of 15 to 20 per cent.

Aviation

Qantas retains status in Tasmania tourist link . . .

Melbourne correspondent

AUSTRALIA'S two domestic airlines will use Qantas flight numbers on their Hobart-Christchurch service to preserve the appearance of the Government's policy that Qantas is Australia's international air carrier.

Qantas chairman Jim Leslie said the position of Qantas, as Australia's sole international airline, would not be endangered by the domestic airlines flying to New Zealand. He said: "It must be recognised that it is being run with Qantas flight numbers, so they will be Qantas flights, but as Qantas has not got the equipment at present suitable for those airports and that flight, it is being given to TAA and Ansett. Of course it can go back to Qantas at any time when Qantas has the equipment to do that".

The requirement that the airlines use Qantas flight numbers has been criticised by Ansett. A spokesman for the company said it viewed the Australian Government's insistence on this with distaste. He said: "We have always been prepared and enthusiastic to operate this service entirely at our own commercial risk, whereas under this arrangement we will be operating under a Qantas flight number and obviously bookings from tour agents and individuals throughout the world will be directed to Qantas. It is a very inhibiting factor when you are marketing a service that you are not doing it totally in your own right".

TAA's marketing manager said the Hobart-Christchurch service was a development route which would depend on tourism. In the first year TAA would not expect more than 70-75 passengers per week. With the development of trade between Australia and New Zealand there is also a cargo potential. He stressed that the service would operate strictly at TAA's own commercial risk. The airline would ensure it was not subsidised by any other TAA activity.

It was not particularly concerned at flying under the name of Qantas. It has done so in the past flying to New Guinea and the Solomon Islands.

Transport Minister Hunt said his department would be conducting further discussions with the two domestic airlines before holding talks with the New Zealand aviation authorities.

Hunt said the frequency of flights and fares for the route still have to be determined but he was confident that the New Zealand and Tasmanian tourist authorities would welcome the development.

The Tasmanian Government sees the trans-Tasman air link as a vital factor in slotting Tasmania into international air routes and other areas of Australia.

Tasmanian Tourist Minister Michael Barnard, said direct flights from New Zealand to Tasmania would dispose of the need for New Zealand visitors to fly to Melbourne or Sydney and then go off at a tangent at added expense.

Barnard said the Tasmanian Government would back the Tasmania-New Zealand air link with a $A250,000 publicity campaign to promote Tasmania in New Zealand.

TAA and Ansett will operate Boeing 727 aircraft over the 2024 km route between Hobart and Christchurch with a flight time of 2 hours 35 minutes. According to Tasmania's Department of Tourism the flight time from Christchurch to Hobart will be 2 hours 55 minutes.

Ansett and TAA say they can offer similar discount fares to the advanced purchased fares already available on Australian domestic routes. Industry sources expect the Hobart to Christchurch fare to cost less than the current $A192 economy class Sydney-Christchurch fare charged by Qantas.

. . . but your airline fends off queries

by Warren Berryman

WHEN appealing to the public for custom, Air New Zealand calls itself "your airline". But the image of the people's national airline holds only so long as the public don't ask questions about how the airline is being run or decisions made.

We called a member of the huge public relations staff to ask about the controversial TAA-Ansett Christchurch-Hobart flights and the effect they might have on the price-fixing/revenue-sharing pool run by Air New Zealand and Qantas.

The PR woman told us that Air New Zealand airline services manager Geoff Matheson had told her to tell *NBR*: "It is not Air New Zealand policy to discuss its commercial arrangements with another airline with the media".

So Air New Zealand wants our patronage and our $450 million to buy new planes . . . our $20-plus million to cover its losses . . . but no questions, please, on how the money is spent.

Australian journalists have a bit more luck with their national carrier, Qantas. The *Australian Financial Review* told its readers the other day about a report from Qantas to the Australian Federal Department of Transport which said the TAA-Ansett service would lose $1 million a year on the Christchurch-Hobart run.

TAA and Ansett's planes would ply the route under Qantas's designator according to the bilateral covering trans-Tasman traffic.

Air New Zealand and Qantas share the revenue on the trans-Tasman route.

But travel people want to know what the effect will be on the Qantas-Air New Zealand pool account if TAA and Ansett make a loss.

Ministry of Transport sources in Wellington say they have yet to be notified of proposed fares from TAA and Ansett, start up date, and effects on the pool account.

Ansett disputes the $1 million loss figure, pointing out that Ansett's two owners, Rupert Murdoch and Sir Peter Abeles do not have a history of making losses.

The Australian Government is making sure TAA and Ansett don't subsidise cheap trans-Tasman flights with money gained from internal traffic.

For the past 18 months Qantas has opposed the idea of any other Australian airline flying internationally.

Initially it proposed chartering Ansett planes for the Hobart-Christchurch flight asking for a $1 million a year subsidy to operate the service.

Whether the route is profitable or not remains to be seen. This question is being openly debated in Australian papers.

Motoring

New Civic aims to recapture small-car sector

Rear door . . . bumper-level access provides major plus.

Motoring Writer

THE release of the 1980 Honda Civic range gives the New Zealand Motor Corporation a new sales weapoo in the fierce small-car sector.

Corporation officials admit the Civic has taken a bit of a beating in the past year.

Its main competitor — the Mitsubishi Mirage — offers up-to-date styling, some technical innovations in three and five-door combinations.

NZMC sees the introduction of the 1980 Civic five-door as an innovation in the Honda range aimed at a different sector than the smaller three-door version.

The three-door was favoured by women owners, usually as a second car. Recent buying trends indicate that 65 per cent are registered in the name of a woman and 45 per cent are Hondamatic versions.

This automatic ratio is particularly high; the national average for small cars is 10 per cent.

The three-door is expected to maintain the market share that it has secured while the five-door represents additional sales.

Production is planned at the rate of 320 a month with a mix of 65 per cent five-door and 35 per cent three-door.

Assembly will continue at the Petone Honda plant alongside the popular Accord models. Assembly will also be carried out at the Nelson and Panmure plants.

The station-wagon version was evaluated here but its impact compared with the three and five-door models was considered insufficient to warrant local assembly.

The old Civic was first launched in 1972 and local production began in 1976. The Civic since then has held a significant market share.

NZMC research has found that the Civic's attributes are its hatchback body, economy, four-passenger doors, five-speed gearbox and drivability. These features, along with price tags of $7925 and $8475 for the three and five-door models, add up to an attractive package.

The car provided for our road test was a five-door manual version.

The Civic offers no revolutionary features, but consolidates recent developments and improves some old features.

All other hatchbacks — and NZMC predicts it will take 18 per cent of new sales in New Zealand this year — have a high loading lip. They could be described as having opening rear windows. The Civic sports a rear door that opens from bumper level — a major plus.

Five-speed gear boxes — accepted in the 1.6 and 2 litre sector — are offered by the Civic. The gears are easy to engage, considering the front-wheel-drive layout.

The gear ratios allow the use of the first four in round-town driving, little different from the old four-speed Civic.

The big bonus comes on motorway driving when the fifth speed comes into its own. Engine speed is reduced, which translates into smoother, quieter driving (although when the opportunity arises to use all five gears, you have the feeling you are forever changing, a minor problem which is solved by the Hoodamatic).

Four doors for passengers is a great asset in a small car only if the car is designed to carry four adults. The Civic has rear space and comfort (comments from two rear passengers was surprisingly favourable).

The seats front and rear are covered in vinyl with matching cloth inserts, giving a modern feel and serviceable finish. And the comfortably front seats are a considerable improvement on older models.

Buyers are attracted to this sector of the market by economy. The older Civic had a reputation of being frugal and generally cheap and reliable. The 1980 Civic, even with its enlarged 1335cc motor, retains all those features.

AA tests have shown that the new Civic is capable of up to ! miles a gallon, bettered by few other cars. Indeed, the Civic's performance is probably the best you can get from any car available in this market sector and even the 1.3 and 1.6 sector.

Thus you get the best of both worlds — economy and performance. Older Civics were not known for giving a quiet ride, but the 1980 model goes to the top of the class for interior quietness.

Drivability means different things to different people. The Civic is easy to drive (as the old model proved). The pedals are readily operated and the car corners easily. It stops quickly, has good all-round visibility and is simple to park.

Its driving features should oppeal also to drivers who want to feel the car go round corners, use the power from the strong 1335cc motor and enjoy the five-speed gearbox.

The Civic is versatile. If you drive sedately, it will amble along at whatever speed you choose. If you are into the hill-climb and quarter-mile sprint scene, you will not be disappointed.

Styling is a mix of old Civic, Accord and Prelude, with restrained use of chrome.

The interior is somewhat spartan, but fuoctional. All the usual bits and pieces are there except for a clock and console around the gear change (both useful additions to opposition products and conspicuous by their absence, but minor defects).

The 1980 Civic feels solid, has ecooomy and performance, and all-round driveability.

PATS

Health

The booming business of quack "vitamins"

by Belinda Gillespie

SOME funny things are turning up in chemists' and health-food shops. One of the funniest is pangamic acid, a would-be vitamin and a close relative of laetrile, the toxic extract of apricot kernels touted as a cancer cure hy Milan Brych and others of his ilk.

Though licensed in New Zealand as an animal remedy since 1971, pangamic acid made its debut on the human market only this year.

The Department of Health has ruled that pangamic acid is not to be called "vitamin B15" or even "B15".

Pangamic acid was given vitamin status when the *New Zealand Woman's Weekly* splashed "B 15 — could this be the SUPER vitamin?" across its May 19 cover. Despite a roasting on *Fair Go* on May 14, sales have boomed, according to a more recent *Woman's Weekly* report — in the world of fringe medicine, all news is good news. The more the health establishment throws stones at quacks and their cures, the better it is for business.

Pangamic acid can be sold in New Zealand as a "dietary supplement" but not as a vitamin or a therapeutic drug. Under the food and drug regulations, no therapeutic claims can be made for dietary supplements.

But this restriction has little meaning when both the *Auckland Star* and the *Women's Weekly* respectively have described pangamic acid as "Russlan-made vitamin tablets — used overseas to treat heart diseases, alcoholism and senility" — and as "effective in the treatment of cardio-vascular diseases, allergies, asthma, arthritis, alcoholism, autism, diabetes . . ." With such a good press, both companies which are marketing "B 15" need say no more.

The label "vitamin" is not taken lightly in the scientific community, though it is much bandied about in health food circles. A vitamin is defined as "an organic substance in food which is essential in small amounts for body processes."

Pangamic acid and laetrile (so-called vitamin B 17), received the title of vitamins not because they were proved to be essential substances naturally present in food, but because they were trade-named vitamins by their American discoverers, Ernst Krebs senior and his son of the same name.

According to the American Food and Drug Administration, pangamic acid "is not an identifiable substance — not a vitamin or a provitamin." No accepted scientific evidence has established any nutritional properties of the substance, and no state of deficiency caused by its absence from the diet has been identified.

In 1943, the Krebs applied for a patent for pangamic acid, which they described as "a preparation for relief and immunity to persons afflicted with asthma and allied diseases — affections of the skin, respiratory tract, painful nerve and joint affections and even cell proliferation . . . eczema . . . arthritis, neuritis . . ." Victor Herbert, an American doctor leading a campaign against both laetrile and pangamic acid, last year described these as "snake-oil panacea claims" which were unsupported by data.

Druge . . . some critics see firms for keeping ill health flourishing to maintain themselvea in business.

Supporters of fringe remedies such as laetrile and pangamic acid often claim that their pet products are kept off the market by the big drug companies and the medical establishment working in league to keep ill health flourishing and themselves in business. Athletic coach Arthur Lydiard, for example, said he believed giant pharmaceutical companies were retarding the development of substances like B 15 because of the competition with other drugs used to treat common illnesses.

Such claims overlook the size and scope of the laetrile organisation, which through the McNaughton Foundation (named after Andrew McNaughton, a laetrile factory owner with two criminal convictions) publishes lay booklets promoting both substances as if they were vitamins.

B 15, like laetrile, was supposedly first isolated from apricot kernels. Ernst Krebs and others have long asserted that the two together are an effective treatment for cancer, along with a "metabolic" vegetarian diet and "megadoses" of various vitamins and minerals.

The extent of the illegal trade in laetrile in the United States is unknown. But there is no douht that there is a flourishing industry using the "metabolic approach" to treat cancer.

According to the *New Zealand Medical Journal*, many New Zealanders are paying more than $1000 o month for several months of this treatment, and then continue to pay $500 a month for maintenance therapy.

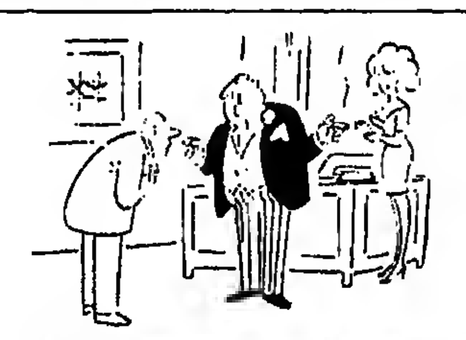
"B 15," according to the American literature, is not an identifiable chemical entity, but a number of different products of variable composition. In fact, it can be said not to exist, since there is no standard of chemical identity for products sold under that label.

There is no proof that it has any therapeutic benefit or is safe for human use, and it may be mutagenic.

Most of the claims for the effectiveness of laetrile and pangamic acid are anecdotal, not scientific. Those who buy them in the belief that they are getting good nutrition or a cure for cancer are seriously misled, according to both the *New Zealand Medical Journal* and the *American Journal of Clinical Nutrition*.

Far from curing cancer, laetrile may actually cause it, according to six lines of evidence cited in the American journal. Likewise, pangamic acid is said almost invariably to contain either of two toxic substances, one a mutagen, and one with the ability to form a potent carcinogen.

Since the laetrile industry lost a major court case to the FDA recently, New Zealand is likely to come under increasing pressure from Krebs and his colleagues in the lucrative business of quack treatments for cancer, according to a New Zealand doctor who has recently returned from the United States.



'Watch it, Morrison!—You're not cringing the way you did when you first came here.'